

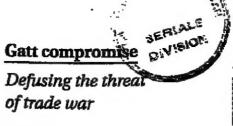
Going the distance

How Airbus tests for the longest flight



Heinrich von Pierer

Siemens chief: the limits of perfectionism



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Surveys

Commercial vehicles

France Section IV

Eastern



# FINANCIAL TIMES

**MONDAY NOVEMBER 23 1992** 

Europe's Business Newspaper

#### Yeltsinnears deal to defuse attack from opposition

A deal to defuse an attack on the Russian government and chart a course of heavily modified reform is near agreement between President Boris Yeltsin and leaders of the centrist opposition. The government would retain much of its reform team while industrialists would secure their chief demand of slower economic change. Page 14

UN blockade begins: Western warships began enforcing a UN trade embargo on Montene gro and Serbia in an attempt to stop the war in Bosnia. The task force is authorised to use force to stop any ship suspected of smuggling goods banned by the UN resolution. Page 7

16 people were killed and more than 200 injured in Mississippi, Tennessee and Alabama after a series of tornadoes and thunderstorms ripped across the southern US early yesterday. The death toll exceeded that of Hurricane Andrew.

**NatWest Bancorp**, US subsidiary of National Westminster Bank, is likely to make an after-tax profit of more than \$130m this year, its highest to date, according to its chairman. Page 15.

ANC threat to stop talks: The African National Congress has threatened to break off constitutional talks with the South African government unless a date for interim government elections is set next week. Page 7



Polling stations were under heavy military guard and security around Lima was tight as 11m Peruvians went to the polls yesterday. The elections are for a "democratic constituent congress" to replace the two-chamber parliament dissolved on April 5 by President Alberto Fujimori (pictured above with his wife). The congress, which will write a new constitution, is expected to satisfy international demands for a return to formal democracy, Page 7

today ask banks to change the covenants in its borrowing agreements so that they are cash-flow related, rather than linked to equity and prof-

Lebanon 'ready to fight': As Lebanon celebrated its independence day, the government said the country was ready to fight to rid south Lebanon of Israeli forces if Middle East peace talks could not secure a withdrawal.

Olympia & York's efforts to keep its US operations out of bankruptcy protection are again being threatened by creditors, as Swiss Bank Corporation extended until tonight a deadline for O&Y to pay \$8m. Page 15

Morwegian bank rescue: Norway is today expected to announce details of a recapitalisation package for its three biggest banks, after it emerged at the weekend that the ordinary share capital

of Den norske Bank had been wiped out.Page 17 Turkey presses to join EC: Turkish leader Suleyman Demirel will press for Turkey's membership of the EC in London today during talks with UK prime minister John Major and Ruropean Commission president Jacques Delors. Page 7

Hungary offered military spares: Germany will give Hungary free military spares from the former East German army, despite concerns that this might fuel tension in eastern Europe. Page6

Mercedes-Benz, automotive subsidiary of Daimler-Benz, said it had excess stocks of around 35,000 cars worldwide. Page 17

iraq pessimistic on sanctions: Iraq said it was not pinning much hope on a mission by deputy prime minister Tariq Aziz to ask the UN Security Council to ease or lift sanctions in force

since soon after its invasion of Kuwait in 1990. Korea Electric Power, largest capitalised company on the Seoul bourse, lifted its han on foreign shareholders who will now be able to

acquire up to 8 per cent of Kepco shares. Page 17 Gorman extremists clash: A Berlin squatter was stabbed to death in weekend clashes between neo-Nazis and extreme leftists. There were further incidents across eastern Germany.

Unflever, Anglo-Dutch food and consumer product group, is to inject Rs370m (\$13m) into Lipton India, to raise its stake to 51 per cent from its present 40 per cent holding. Page 17

Rhône-Poulenc, French chemicals group, reported a fall in net income days before details of the sale of the state's 10.6 per cent stake in the company are announced. The sale will raise between FFr3bn and FFrtbn (\$550m-\$740m).Page 15

Waste Management International has bought-75 per cent of Environnement Service SA, for FFr235m (\$44m). Environmement Service provides solid waste collection and disposal and industrial cleaning services. Page 16

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THE FINANCIAL TIMES LIMITED 1992 No 31,921 Week No 48



French farmers in Lille protest about the farm trade agreement reached between the US and Europe by starting a fire outside a restaurant

# **Brussels hopeful** over trade deal

By Our Foreign Staff

SENIOR European Commission officials were confident at the weekend that there was enough political momentum behind last Friday's EC-US farm trade deal to overcome French attempts to

The agreement, which settled ong-running disputes over subsidised food exports and opens the way to concluding the six-year old Uruguay Round negotiations on liberalising world trade, has overwhelming support inside the EC, officials said. This view was endorsed in London, where the fierce French opposition has done little to dent optimism that the way is now open for a conclusion of the Uruguay round.

Meanwhile, the French government this weekend came under intense political pressure to reject the deal as angry French farmers threatened to step up nationwide day of action on Wednesday and will be aggravated by other strikes and stoppages planned by workers on the Paris subway, French railways and Air France, the state-owned

airline. The beleaguered government is not expected to take a final decision on the farming agreement until a debate in the National Assembly on Wednesday. Mr Pierre Berégovoy, the prime min-ister, has criticised the deal as "unacceptable", and claims it contravenes last May's reform of the EC's Common Agricultural Policy (CAP).

But Mr Ray MacSharry,the EC agriculture commissioner, says "we have no difficulty

Continued on Page 14 Onus now on Brussels, Page 4 Editorial Comment, Page 12 The tough talks begin, Page 12 Japan rice ban, Page 14

Third realignment of ERM in 10 weeks triggers concern in financial markets

# Spain and Portugal devalue by 6%

Foreign Staff

SPAIN and Portugal devalued their currencies in the European exchange rate mechanism early yesterday but the agreement triggered concern in financial markets over whether this third realignment in 10 weeks would prove durable.

After meeting for 10 hours in Brussels, the European Community's monetary committee announced that the Spanish peseta and Portuguese escudo had been devalued against the other six currencles in the ERM by 6 per cent.

The monetary committee state ment also said Spain would lift the special capital controls imposed during the currency turmoll of September to protect the ta after its 5 per cent devaluation that month.

But while officials leaving the meeting in the early hours yesterday expressed confidence that the latest currency changes would put an end to turmoil in the European Monetary System, foreign exchange market analysts and economists in London were virtually unanimous in predicting further troubles ahead.

he weekend negotiations which came after Madrid requested a peseta devaluation late on Friday – were marked by

■ Text of Monetary Committee ament blurs view Page 2 B Bundesbank under new pressure on rat Page 2 Page 13

tension between the Spanish and Portuguese officials in the committee because Portugal was reluctant to devalue its currency. The final agreement left the Irish punt and Danish krone

anged against the D-Mark, in spite of speculation against both currencies last week. Nei-ther Italy nor Britain, which took their currencies out of the ERM in September, applied to rejoin the system. There was also no sign that the German Bundesbank would be willing to lower its interest rates in support of the

latest realignment.

On Friday, Mr Helmut Schles-inger, the Bundesbank president, warned that there was minimal room for a cut in German interest rates. Early yesterday, Mr Hans Tietmeyer, the Bundesbank vice-president, gave no indication that the German central bank would change its policy. On leaving the meeting, he said only that Germany would do what it felt was "appropriate". When asked

Ten weeks of turmoil in the ERM Belgian Franc Dutch Guilder Danish Krone Page 14 hish Punt

whether an interest rate cut would be appropriate, he

Finance ministries throughout Europe joined in hailing the latest realignment as a success. The French finance ministry said the move suggested that the autumn currency crisis was over and that "our difficulties are behind us".

Mr Thor Pedersen, Danish economy minister, said it "should prevent currency speculation' and "bring calm". Mr Bertie Ahern, Irish finance minister, said he was "well pleased" that

the punt was unchanged and that the outcome was "a recognition of the strength of the economic fundamentals in Ireland".

But the limited nature of the weekend realignment fuelled expectations that the Irish punt and Danish krone could again become the target of speculative attack. Ireland's problem of a loss

of competitiveness since the floating of sterling in September

has been compounded by politi-

cal uncertainty ahead of its general election on Wednesday. There was some discomfort in Spain, the initiator of the changes. Mr Carlos Solchaga, finance minister, said Spain

would have preferred to wait for

tem, but had acted to devalue the peseta when there was no sign that this would happen.

From Madrid, it was reported last night that the Spanish government was nervously awaiting market reaction, fearful that any further speculative attacks on the currency might force it out of the ERM completely

It was also clear that Portugal had only agreed to a 6 per cent fall in the value of the escudo in the ERM with the greatest reluc-tance. "We did not need any devaluation," Mr Anibal Cavaco Silva, the Portuguese prime min-

Portugal claims its economic fundamentals are sound but as it transacts more than 20 per cent of its trade with Spain it could not allow a second peseta devaluation in two months to widen the

gap between the two currencies. The monetary committee statement sought to bolster the pesets by stressing that Spain would give the highest priority to meet-ing its budgetary targets and lementing structural reforms laid down in its economic conver-

# Irish punt, Danish krone seen as targets for selling

By Peter Norman, Editor, in London

THE weekend realignment of currencies in the European exchange rate mechanism met with a negative response from currency analysts and economists who forecast increased tensions on the foreign exchange markets in the days shead.

The Irish punt and the Danish krone were singled out as candi-dates for renewed attack after the six per cent devaluations of the Spanish peseta and Portuguese escudo were criticised as "too lit-tle, too late". Analysts said that outside the ERM, they expected speculative selling of the Norwe-

"What we have is a piecemeal realignment. It spells the death knell of the ERM," said Mr Paul Chertkow, head of global currency research at Union Bank of rerland in London.

"It isn't big enough and it doesn't involve enough currencies," said Mr Jim O'Neill, Swiss Bank Corporation's Londonbased head of research. "The markets will think: 'OK, those have gone, which will we go for

ahead," predicted Mr Gerry Holtham, chief economist of Lehman Brothers International in London. "The main problem concerns the Irish punt, which is very vulnerable. But the markets could also attack the Danish krone and if that goes, the French franc will come under pressure," he added. The apparent reluctance of the

Bundesbank to agree to any easing of its monetary policy in connection with the peseta and escudo devaluations was seen as an especially weak feature of the third ERM realignment in 10 weeks. "The disappointment is likely to be all the greater this time around as there is no prom-ise of a cut in the Bundesbank's key lending rates in return for the realignment," said Mr Mike Gallagher, director of economic research at IDEA, which researches and forecasts financial

Indeed, for many analysts, a close reading of the communiqué issued by the EC monetary committee early yesterday appeared to confirm the Bundesbank's determination not to adjust its monetary policy to save the

CONTENTS

rencies are in the exchange rate mechanism will implement their economic and monetary policies in such a way as to improve their convergence on price stability and ensure the stability of their currencies within the parity grid," the statement said.

"That doesn't amount to a declaration of mutual support," argued one specialist in international monetary affairs. "If the statement had referred to ensuring the stability of the parity grid, it would have imposed obli-gations on the Bundesbank. As it stands, it will be up to the weaker currency countries to raise interest rates if necessary to keep their currencies in line with the Deutsche-mark."

According to Mr Chertkow of UBS, the markets were likely question whether Ireland, Denmark or France would have the stomach to raise interest rates to maintain parity with the D-mark. Some analysts said France's

objection to the trans-Atlantic deal on farm trade was already prompting some international investors to reappraise its commitment to the European Com-

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# market trends.

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# Bundesbank under new rates pressure

By Christopher Parkes in Frankfurt

MR Björn Engholm, the German Social Democrat opposition leader, is expected to press Chancellor Helmut Kohl at a meeting today to influence the Bundesbank to ease its rigorous interest rates policy.

As trade union leaders argued at a similar session last week, he will say the central bank's stance is killing jobs in western Germany and smothering investment prospects in

The talks, called to draft a "solidarity pact" among all parties, employers and unions to help recovery in the former GDR, are set to become crucial to Bundesbank's deliberations.

Whatever the strength of the politicians' arguments - supported by a rising wave of job cuts, forecasts of nil economic growth in the west and downnext year - the Frankfurt policy-makers are unlikely to back

Unblinkingly dedicated to monetary stability, the bank has its eyes fixed on two key inflation and money supply The depleted band of opti-

mists still expecting German rate cuts this year may draw hope from inflation figures due later this week. Some economists expect a shift down from October's 3.7 per cent annual rate in the west to perhaps 3.5 per cent. But as others point out, any fall will be a technical illusion, resulting from factors which pushed rates up 0.5 per cent 12 months ago dropping

Although producer price rises are now below 1 per cent year-on-year and import prices in October were down 5 per cent on a year ago, there is still considerable underlying inflationary pressure which the bank wants to squeeze out.

This stems mainly from increases in rents and services of around 6 per cent. Housing shortages have been one influence, but the main source is the undimmed pressure of high abour costs. More trouble looms: a one-

increase firmly back above 4 er cent Money supply growth,

fuelled by demand for credit to ease personal and corporate cash-flow problems, is running at 9.3 per cent, far beyond the bank's upper 5.5 per cent target for annualised expansion in the broad M3 measure.

Now that the economic squeeze has migrated into Ger-many, domestic political pressure for rate cuts will grow. But the Bundesbank is determined that Mr Kohl, Mr Engholm, unions and employers should come to accept its view of what is "right" for Germany.

The government has prom-ised to cut public spending and attack its soaring deficit, restraining their pay demands, and employers have again said they will stand firm in the coming wages round. But the Bundesbank will need evidence more robust than tips and winks before it is convinced that the enemy inflation is in full flight and feels able to relax its grip on the interest rates leash.

recently imposed. It will give

# Devaluation of peseta and escudo raises fresh doubts about monetary union Realignment blurs view of Emu

THE ROAD to European Monetary Union (Emp) is paved with good intentions. But after the latest realignment inside the Exchange Rate Mechanism - the third in just over two months - doubts about the feasibility of the Emu enterprise seem certain to

In Brussels yesterday, EC officials portrayed the weekend devaluations of the Spanish and Portuguese currencies as a logical response to currency market pressures aimed at enhancing stability within the European Monetary System

But stability has come at a price. Rather than signalling progress toward a common European currency for the underlines the division of Europe into two tiers, with the prosperous upper half built around a D-Mark zone to which

Germany's reluctance to lower interest rates during the 10-hour-long weekend meeting of the European monetary committee not only suggests continuing tensions within the ERM, it is also a statement about the balance of power inside the EC. This time, there was no repeat of the deal last Septem-

France is clinging doggedly with its "franc fort" policy.

ber when Bonn traded a 0.25 cent cut in the Lombard rate for a 7 per cent devaluation of the lira. Having had its arm twisted by the politicians two months ago, Germany's central bank was in no mood to undergo similar treatment again last weekend. When bleary-eyed Europes

monetary officials produced a communiqué early on Sunday, they nevertheless chose to emphasise that progress toward the goal of Emu set out in the Maastricht treaty nains on track.

the need for ERM members to improve convergence on price stability, and the commitment of the Spanish and Portuguese governments to "convergence programmes" aimed at matching the best performers in the Community on inflation, defi-

cits and government debt. Yet at this moment, pressure is building in Brussels and other EC capitals for a more ilexible approach. Officials, including Mr Jacques Delors, European Commission president, are worried that the convergence programmes' built-in tendency toward deflation may have to be adjusted during the

Without abandoning the long-term goal of convergence, or diluting the criteria required for the final locking of exchange rates by the best EC performers, Mr Delors is leaning toward policies which would stimulate short-term growth - a significant shift in

Hence the reaffirmation of thinking from the more rigid approach adopted in the late 1980s, when growth was strong and the fresh push towards

> The two chief ideas circulating in Brussels are the creation of a European Investment Fund to lend money for new infrastructure projects, particularly road and communication links with eastern Europe, and a burst of Community lending for public works programmes, financed through up to Ecu5bn (£4bn) borrowing on the international capital mar-

EC officials stress that the growth package would involve new borrowing rather than new national government spending, which in turn would, it is hoped, stimulate fresh private sector lending. But they are nervous about inflating

EC finance ministers will hear more about the planned growth initiative when they

Mr John Major, UK prime minister, apparently offering guarded support, there is a reaonable chance of a debate but no decisions - on a growth package taking place at the EC summit in Edinburgh.

Equally, ministers will hope to make progress on the Delors II package for increasing the EC budget by almost one third over the next five or seven years, an increase which Mr Delors argues is essential if the poorer EC members are to retain the incentive to take the harsh economic measures necessary to qualify for monetary

The trick is to avoid the mistake of the late 1970s, when a Community-led growth effort stoked inflation, says one EC official. This is uppermost in Germany's mind as it ponders its role as paymaster of Europe and its decision at Maastricht -to sacrifice the D-Mark for a common European currency.

#### Text of committee statement

The following is the text of a statement issued by the European Community's monetary nittee on the devaluation of the Spanish peseta and the Por-tuguese escudo:

The ministers and central bank governors of the Member States of the European Community have by mutual agreement following a common procedure involving the on and after consultation with the Monetary Committee decided to fix new central rates in the EMS.

The bilateral central rates of the Spanish pesets and the Portuguese escudo against the other currencies of the

been reduced by 6 per cent. The new Ecu central rates are the following (in units of national currencies per Ecu).

point increase in VAT to 15 per cent in January is expected to

Beigian franc Danish crown 40.6304: 7.51410; 1.96992; 6.60683 French franc Irish punt 0.735334; 40.6304 **Dutch guilder** 2.21958 182,194: 0.805748 254,254. Notional central rates, based

on market rates of 20 November). The Spanish and Portuguese governments will implement strictly all the measures necessary to ensure that the objectives of their convergence programmes are achieved. The Spanish government will measures on some foreign

the highest priority to meeting the budgetary targets and implementing the structural asures laid down in the conergence programme. The ministers and governors draw the attention of the two governments to the vital importance of restraint on the growth of labour costs. Member states whose currencies are in the exchange rate mechanism will implement economic and monetary policies in such a way as to improve their convergence on price stability and ensure

the stability of their currencles within the parity grid. The agrimonetary consequences of the present realignment will be examined by the

competent bodies. The new bilateral central rates and the compulsory intervention points in the exchange rate mechanism will be com-municated by the central banks in time for the opening of foreign exchange markets on 23 November 1992. exchange transactions which it

#### Danes welcome currency moves

DANISH Economy Minister Thor Pedersen welcomed the weekend's devaluation of the Spanish and Portuguese currencies within the Exchange Rate Mechanism (ERM) yesterday and said it would have lit-tle effect on Denmark, Reuter reports from Copenhagen.

The move will only have a marginal effect on the Danish economy, as only 3 per cent of our foreign trade involves these countries." Mr Pederser "It is satisfactory that the

that the readjustments within ERM were so limited," he said. "This should prevent currency speculation. I welcome the ERM realignment as it will bring calm to the EC currency

devaluations were so small and

situation. In Stockholm, Swedish central bank governor Bengt Dennis said the devaluation of the



A police officer (left) guards German finance state secretary Horst Köhler as he arrives for the EC monetary committee meeting

two currencies would not have any great effect on Sweden. They are relatively small

have any major effects for Swe-

news agency. Sweden said on Thursday it would float its crown against

other currencies, saying the

fight against currency speculators had proved too hard. There is no doubt that our decision on a floating exchange

rate contributed to the devalu-

strong reaction in the European currencies. Many curren-Mr Dennis said.

# The key know-how.



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and tomorrow. Will a further 6

per cent prove to have been

enough? Government officials

and Mr Solchaga said they

But the problem, says Mr De Pinies, is that "there is no

meaningful wage moderation in this country. Wage rises are still coming in at around 8.5 per cent and if you devalue in this kind of environment you

are saying you are doing so

just to stay level and might

hard to judge, but some analysts were yesterday predicting

possible interest rate rises to

dissuade employers from using

a cheaper peseta simply to boost exports while the domes-

tic economy cools and to stop

The government has always

said industry could no longer

rely on competitive devalua-

tions to get it out of trouble at

'We did not need

devaluation. The

the crisis without

home, but the effect of the devaluations in September and this weekend may be to do just

that. Spain stood firm for 10

in 1959, 1967, 1976, 1977 and

1982. But including the two devaluations, the peseta has

fallen about 15 per cent against

the D-Mark since the summer. Madrid's only guarantee of keeping inflation in check now - following a welcome fall last

month to 5.2 per cent - is to stick firmly to the tight fiscal and deficit cutting targets in

the 1993 budget, but many

doubt it can do so in an elec-

tion year, when spending normally rises.
Portugal has been much

more virtuous, fiscally, than

Spain, which will only add to

irritation in the Lisbon govern-

ment. Portugal has almost full employment (Spain has 18 per

cent unemployment) and the

Portuguese finance minister,

Mr Jorge Braga de Macedo was only last week boasting that devaluations were "proof of the inability of governments to conceive of and execute a credible policy programme". Portuguese officials had even been suggesting that by not

following the peseta down, the country might be able to diver-sify its trade and end dependence on Spain. Lisbon will be particularly irritated by the message the escudo devaluation will send to exporting employers, as the government is setting a tough 4.5-5.5 per cent target in public-

sector wage talks, which act as a guideline to the private

But Portuguese exporters welcomed the escudo's fall, saying they still hoped for more. And Mr Victor Constancio, a Socialist opposition economist, said: "After failing to accompany the September devaluation of the peseta, Portugal could no longer refuse to follow the depreciation of the

weaker southern currencies without losing credibility." Perhaps, but it hurts in Lis-

bon nevertheless.

ears, following devaluations

escudo survived

problems'

concentrating on slowing wage

need another one later." The inflationary effects of the weekend devaluation are

believed it would.

# Reluctant Portuguese devalue too

By Peter Bruce in Madrid and least applauding the govern-ment for agreeing to follow the

devaluation with an immediate THE PORTUGUESE do not withdrawal of a series of capihave much time for their big. tal controls imposed in September and designed to dissuade speculation. They stopped the peseta falling through its ERM brash, deficit-ridden neighbour on the Iberian peninsula. But Lisbon has never been able to do much about the fact that floor but also angered inves-Spain is now their biggest tors attracted to Spain after it export market, consuming about 20 per cent of what Porscrapped all exchange controls earlier this year. But with the artificial peseta tugal has to sell abroad. floor provided by the controls removed. Madrid is anxiously waiting to see what the mar-kets do to the currency today

This weekend Portugal paid dearly for that, as a nervous Madrid asked the European Community's monetary committee to devalue the peseta 6 per cent in the exchange rate mechanism of the European Monetary System. Portugal, its exporters already squeezed by a 5 per cent devaluation of the peseta during the EC currency crisis in September, had little choice but to let the escudo fall 6 per cent as well to maintain.

the status quo.
It has left a bitter aftertaste with Portugal's Prime Minis-"We did not need any devaluation," he said yesterday. "The escudo survived without any problems the foreign exchange crisis on Friday."

But the peseta did not. The Bank of Spain spent \$3bn (£1.9bn) supporting the currency last week after the Swedish government's attempt to shadow the ERM failed - at a reported cost to the Swedish central bank of around \$25bn

last Thursday. Spain's finance minister, Mr Carlos Solchaga, calculated that he had precious little time to act before speculators turned again on the peseta.

The lessons of September still burn fiercely in Madrid. "Solchaga didn't want to be put in a situation where he was throwing foreign reserves away to defend an overvalued currency," said Mr Jaime de head of research at Banco Santander de Negocios yesterday. "The Swedish failure must have scared the daylights out of the Bank of

Indeed, while Spain still has foreign reserves of around \$53bn, Mr Solchaga has contributed to further speculative pressure by suggesting for two months that he would allow a further devaluation of the Spanish currency as part of a wider realignment, probably when Italy decided to place the lire back into the ERM.

As it turned out, he could not wait. The government faces elections in the next 11 months and a sharp fall in GDP growth (to under 1 per cent in the third quarter), constant skirmishing with the unions and polls showing the ruling Socialist party vote dropping sharply. A second pescia crisis could have ruinously undermined domestic

and foreign confidence.

Analysts in Madrid were at

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# ERM move puts pressure on punt - and Reynolds

هكذاصه الأصل

THE IRISH government, which faces a general election in two days, will continue to defend the punt even if it to defend the means putting up interest rates again,

the government said yesterday.

Ireland stood by the punt's value in
the central band of the ERM as the
Spanish and Portuguese currencies were devalued at the weekend

The government would defend its currency within the central band of the ERM at the cost of higher interest rates in the short term, the Finance Ministry said, but "sustained high interest rates would be unbearable" in the longer term. This would "under-mine the good fundamentals of the economy which have sustained the punt until now".

The government denied coming under pressure from German and French officials to allow the punt to join the realignment. The ministry described the reports as "speculative loose talk" but added: "It is anybody's guess whether the [currency market] raiders will return. The continuing instability within the system is a cause for worry."

The government faces a renewed

run on Ireland's reserves if the punt comes under further pressure today.

Since sterling abandoned the ERM last September, there has been a question mark over the punt. Around 30 per cent of Ireland's exports go to the UK, and 40 per cent of its imports are sourced there. The government increased interest rates by 3 percentto defend the currency, reports Tim Coone

age points in September and it has created a I£50m (£55m) fund to assist Irish companies adversely affected by sterling's devaluation.

A number of Irish economists predict that interest rates could rise by a further two points this week, bringing the Central Bank's short-term facility rate to a record 15.75 per cent. Inflation is expected to be only 2 per cent

this year.

Maintenance of a strong currency. linked to the D-Mark, has been the central plank of the government's eco-nomic policy, which has until now enjoyed cross-party support, over the past five years. It is a policy which has also received the backing of the Confederation of Irish Industry and the trade unions, although individual industrialists who have suffered most from sterling's fall and the high interest rates have begun to raise their voices in favour of a devaluation.

Should interest rates now be forced higher still, those voices will become a clamour, and could cost Prime Min-ister Albert Reynolds' Fianna Fail party votes in the election, especially

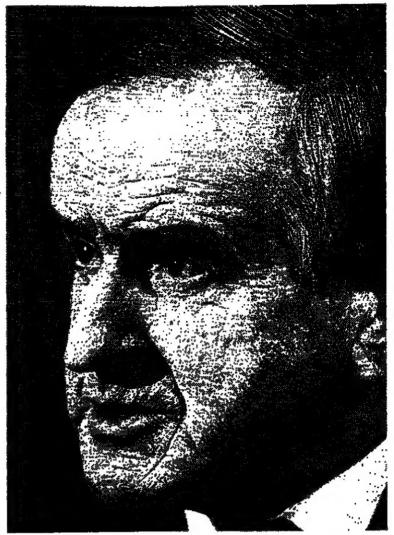
policy on the eve of a general election would be seen as politically damag-ing, particularly as opinion polis already indicate that Fianna Fall will suffer a setback and that the Labour party is likely to emerge greatly strengthened and hold the balance of power in the new parliament.

Mr Ruari Quinn, the Labour party's economy spokesman, said yesterday: "The problem is being created by the high German interest rates, but the Bundesbank is clearly not going to change its policy and bring them down." He was in favour of "an orderly realignment" of ERM currencies involving the French franc as

"It is not that we want to devalue. The problem is that the punt is being revalued upwards with the D-Mark which is now functioning as a Euro-

pean reserve currency," he said. Last September, the Irish central bank borrowed over LE1bn from other EC central banks to defend the punt after sterling left the ERM, and is estimated to have spent an additional I£700m in reserves. In September mated I£500m in Irish gilts of a I£4bn total held by them, forcing the gov-ernment to reverse its policy of capping the foreign debt at I£8.9bn.

A key factor which saved the punt though, was Ireland's remaining exchange controls, which are due to be dismantled by the end of the year. Albert Reynolds: facing setback in election





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#### **NEWS: INTERNATIONAL**

# French ponder farm agreement rejection

By Alice Rawsthorn in Paris

THE French government this week faces a critical decision as to whether to carry out its threat of rejecting the agricul-tural trade deal struck on Friday night between the European Community and the US in the face of bitter opposition from France's farmers.

The government is expected to delay taking a final decision until after a National Assem-bly debate on Wednesday, the same day that France's farmers plans to stage nationwide protests against the proposed officials will today start trying to hammer out a compromise at a meeting in Brussels before the European Commission

meets on Wednesday. If France accepts the draft agreement the unpopular Socialist government, desperately hoping to win back pub-lic approval in the four months before next year's general elections, would almost certainly face stormy protests from the

the agreement it would not only risk triggering a trade war with the US but also finding itself isolated within the increasingly fragmented EC in the throes of this autumn's currency crisis and the acrimonious debate over the ratification of the Maastricht treaty. Last night Prime Minister

Pierre Bérégovoy, speaking on French television, said Friday's draft agreement was "unacceptable" and said it would "involve a reduction in exports under circumstances that would be intolerable for our agricultural economy". He said he hoped to secure the agreement of other EC member states to block the proposals and it would only be after Wednesday's meeting "that we will know whether France is

Mr Beregovoy appeared to be pinning his hopes of averting a domestic political crisis on wringing a last-minute compromise from the EC by stressing that France was chiefly con-cerned about the incompatibil-

last May's reform of the EC's Common Agricultural Policy (CAP). The concern here is that production cuts under the US/EC compromise might be more than those already agreed under the CAP reform.

Mr Bérégovoy has urged the EC to analyse whether the deal would contravene the CAP. The right-wing opposition has attempted to exploit the Mr François Bayrou, general secretary of the UDF, one of the largest opposition parties, said he "supported" the government's opposition to the deal but criticised its handling of the negotiations.

The opposition may abstain from Wednesday's National Assembly debate thereby ensuring that the Socialists take full responsibility for the

Meanwhile there were angry protests outside government buildings in Reims, Lille and Meurthe as French farmers started their protests against the US-EC deal.



President François Mitterrand (above) has suffered a fall in public approval due to the controversy over France's unpopular new anti-smoking laws and the involvement of senior socialist politicians in the AIDS blood scandal, writes Alice Rawsthorn in

The French president's approval rating has slipped from 31 per cent to 29 per cent over the past month, according to an IFOP opinion poll published in yesterday's Journal du Dimanche newspaper. This means Mr Mitterrand has returned to the low level of approval that haunted him this time last year.

# Onus now on Brussels to square deal with CAP

the subsidised food export disputes between the European Community and the US produced a collective sigh of relief. Now, all eyes are on France.

French ministers say they will resist a deel they insist amounts to a cave-in to US ambitions to dominate international food markets. They are demanding that the European Commission, which clinched the agreement on behalf of the 12, demonstrate that the EC's new international obligations are compatible with this year's reform of the Common Agricultural Policy (CAP).

They are adamant that this

is not the case, so the debate on "compatibility" is set to be fierce, backed up by strong pressure from France's farmers and parliament and the threat of a French veto. But France has been playing uphill for at least six weeks. And there is little sign its partners are prepared to accommodate Paris to the extent of putting a Uru-guay Round deal under the General Agreement on Tariffs

and Trade in jeopardy.

To begin with, the deal Mr Ray MacSharry, the EC agri-culture commissioner, brought back from Washington, is on certain points close to France's maximalist demands, Mr Mac-Sharry is aggressively confident in his achievement and will not be shy about telling France that, in the end, it was the Americans who caved in.
On Thursday night, with an agreement all but reached, Mr Ed Madigan, the US agriculture secretary, pulled back, for the third time in five weeks, in the face of intense lobbying from American farm organisa-tions. This time, senior EC offi-cials say, Mr MacSharry gave the US until today to reply, or the outline agreement would

be withdrawn. He flew back to

LAST Friday's settlement of President George Bush had the subsidised food export disoverruled Mr Madigan and the deal was finally done.

France has complained that the EC was negotiating with a gun to its head: the punitive sanctions Washington had threatened for December 5. In the event, Mr MacSharry gave the US an earlier deadline and got away with it. Mr Jacques Delors, the French Commission president whom he had cused of undermining the

David Gardner on how EC partners will regard French protests

negotiations and siding with French interests, was the first to congratulate him when the Commission assembled on Friday afternoon to endorse the breakthrough. This was a farcry from events a week earlier. Mr Delors had been forced to invite Mr MacSharry back to the negotiations after he had angrily resigned this role, put-ting the Commission president and Paris under intense pressure from EC member states. But then a paper leaked from the Commission into French newspapers, implying that what Mr MacSharry was negotiating would require EC farmers to "set aside", or take out of production; more than a third of their land.

That paper, followed by a formal French presentation using similar figures, argued for an EC "bottom line" on the otlseeds dispute which Mr Mac-Sharry has trumped. The paper argued for a tonnage cailing on EC oilseeds output of 11m tonnes, with a limit to obligatory "set-aside" of 15 per cent. In the final deal there is no

area limit identical to the 5.128m bectares envisaged by CAP reform: obligatory setaside, moreover is 10 per cent, below the 15 per cent set by CAP reform, and with a dispensation to grow oilseeds for non-food usa. France will still insist that the 21 per cent cut in subsidised food exports in the deal cannot be met, prod-

But French officials were already shifting their argu-ment towards "rebalancing" demanding US agreement to restrain their cheap cereals bstitutes coming in to the EC as quid pro quo for cuts in EC export volume. The US has only agreed to monitor any "surges" in exports of products like corn-gluten. Nevertheless, EC officials say, the French guns may be spiked because the "rebalancing" wording was drafted by Germany which has failed to support Paris in the last three weeks.

deal is likely to increase until the December 11-12 summit of EC heads of government in farm ministers will reassemble. Unless, of course, France is serious about using its "veto". Legally, France can be outvoted on the package. But the veto in question is the so-called "Luxembourg compromise". It can be invoked when "very ber state are at stake. But even French officials admit that using the "Luxembourg compromise" would be equivalent to using France's

nuclear force de frappe - a deterrent whose only efficacy is if it is not used. Majority feeling in Brussels is that President François Mitterrand will not risk the further, already crisis-ridden stage of integration foreshadowed by the Maastricht treaty by pressing

# US keeps a low profile on Paris opposition

By Nancy Dunne in Washington

US OFFICIALS are keeping a low profile and making no public statements about the disarray within the European Community over last week's farm trade reform deal.

Mr Carla Hills, the US trade representative, and Mr Ed Madigan, the US agri-culture secretary, were asked about French opposition on Friday when they The response was to point to the

approval by the European Commission as if the deal were now done. It has been their view that the Commission had obstructed progress in the past on instructions from French president François Mitterrand, passed through EC president Jacques Delors.

Privately, officials regard the French response as a manoeuvre to obtain a better deal within the Community's reform of its Common Agriculture Policy (CAP).
US officials are already looking for-

ward to a return to the negotiating table in Geneva and an early conclusion to the wider Uruguay Round talks under the aegis of the General Agreement on Tariffs and Trade

The hope is that major political decisions can be concluded by Christmas.

Specifically he said he wanted a good Gatt agreement as soon as possible, and

detailed work to be done is expected to of the farm trade pact reached last take weeks if not months.

Inevitably, the Bush administration will run out of time. President Bush has vowed to negotiate until January 20, the day governor Clinton is inaugurated. The president-elect has said nothing to discourage this final burst of activity by his predecessor.

A senior US official said Mr Clinton

had "pulled the rug out" from under French efforts to delay agreement by saying after his election: "There's only one president at a time."

After that the tremendous amount of that he said he would study the details

The Gatt talks, unlike the North American Free Trade Agreement linking the US, Canada and Mexico, never became a campaign issue, and they have had the support of leading Democrats in Congress. Senator Lloyd Benson, the chairman

of the Senate finance committee has been mentioned as a possible member of the Clinton cabinet. Last week he flew to Brussels to urge speedy end to the farm trade dispute and a return to the negotiating

# Squeezing the new European single market for all its worth

Haig Simonian tells how an Italian company with fruit juice operations based in Verona expanded by developing a plant near Berlin



WITH a father called Karl and a daughter by the name of Andrea, Mr Oswald Zuegg - until 1918 Austrian by nationality -THE jams and fruit juices. The EUROPEAN family business has been

But in the fruit-growing valleys of Merano, in the region Italians call the Alto Adige but Austrians still refer to as the Südtirol, the name raises few eyebrows. With German the mother tongue of most locals, family names and traditions from the era of Austrian rule stick deep.

This year, Mr Zuegg has turned into a, somewhat unwilling, champion of crosscultural opportunities and the need for change if Italy is not to be left behind in a munity moving towards an increasingly

Though familiar to millions of Italian shoppers, Zuegg was hardly a name that tripped off journalists' tongues until its travails with a local council near Verona, one of its three production sites, came to

The Verona plant, which houses Zuegg's its boundaries. In a situation familiar to many in Italy, plans to expand had been thwarted by the country's notoriously slow planning bureaucracy. Worse still, an election defeat for the local council meant previously accepted proposals were over-turned by its successor.

After years of struggling, Mr Zuegg decided to throw in the towel. "It's a labyrinth from which we failed to emerge for six years," he says. "Even in a zone ear-marked for industry, the attitude seemed to be that industry didn't matter."

production at Zuegg's new plant near Ber-lin, in what used to be East Germany. Talks with the agriculture ministry of the German Democratic Republic about VEB Fruchtsaft, a small maker of fruit juices with around 150 employees, had started in the closing days of the communist era. Assisting the negotiations was none other politician who subsequently became the GDR's last premier and now heads a small

all-German opposition party. Discussions dragged on as the East German regime fell and the still-inexperienced Treuhand privatisation agency took over. Finally, in June 1991 the deal was signed. Zuegg bought the plant for around DM5m (£2m), slashed the workforce to 35 and spent DM16m on new machinery.

The timing could hardly have been better for Italians eager to point out their country's deficiencies. Here was an "Ital-

The decision coincided with the start of ian" company turning its back on the motherland for the efficient and reliable north. Zuegg's Teutonic traditions just added to the piquancy. The message for Italian industry was clear: a unified Germany was bound to suck up investment previously destined for southern Europe, and Italy was in danger of being marginalised in a unification-dominated EC unless

Mr Zuegg sees things differently. He says the company planned to expand abroad before matters in Verona came to a group's most modern – still has to over-come the suspicions of West German cus-tomers. Many potential western clients remain wary of the plant's semi-finished fruit concentrates, sold to dairy companies for fruit yoghurts. "The problem is that West German customers are still suspicious about things from the east."

Although production started last November, early output was used internally. In spite of having ultra-modern machinery in a plant which is "like new," output built up at snail's pace. However, the local staff are dedicated. "You mustn't underestimate these people. They have a sense of pride in wanting to show they can produce well." He wants to develop the plant in east Berlin as a foothold for northern Europe

with a whole range of products.

For a company with fewer than 500 employees and sales of just L250bn (£122m) a year, Zuegg is remarkably Community-minded. Its promotional material comes in five languages, while its message is decid-

edly pan-European. Its next aim is to introduce juice from Sicily's famous blood oranges to consumers in northern Europe, starting with Austria and Germany. The succulent fruit, only available for a limited period and

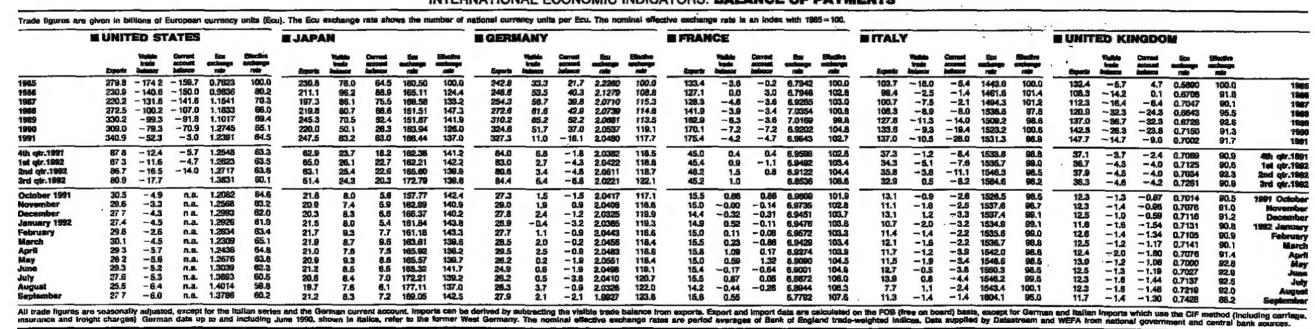
barely known outside Italy, will be lightly frozen, concentrated, and then sold chilled to north European customers. Mr Zuegg is enthusiastic about the pros-

pects. For, straddling the divide between Teutonic and Latin cultures, the company is mindful of the potential for Italian prod-ucis abroad. "We know we have no chance with just ordinary fruit juices in Austria and Germany. Imitating what other done very well for 20 years is pointless,

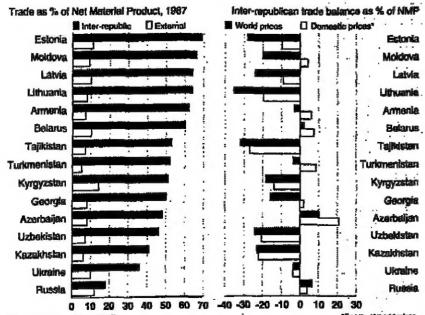
he says. "But the common European market will give us the chance to promote our specialities. Over the years, we've seen that when we stick to what we know, we've done

Taking Sicily's deep red oranges to northern Europe's shoppers could be just the tonic to liven up tired supermarket shelves. After all, the free market is supposed to increase choice, not just corpo-

#### INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS



#### Trade and payments in the former USSR



# Managing divorce between Moscow and Kiev

TRY AS they might to live independent existences, the economic fortunes of the 15 republics of the former Soviet Union are inextricably linked. Ukraine's economic policies have been driven largely by a desire to achieve economic independence from Russia, culminating in its departure from the rouble zone a fortnight ago. But Ukraine will have to reach some form of co-operative monetary agreement with its Russian neighbour if its market-oriented reform plan, announced last week, is to Economic relations between Moscow

and Kiev have become increasingly acrimonious over the past year. Ukraine, like some other independent-minded republic, has been issuing coupons for cash transactions. But it has also been granting rouble credits to enterprises in order to pay their hills. The result has been an enormous expansion in rouble credits, making control of Russian inflation almost impossible. Since January, Ukraine has issued unbacked credit totalling more than Rhs400bn, over \$1.5bn at current exchange

rates, while its monthly inflation has risen to 30 per cent. As Mr Jeffrey Sachs, who advises the Russian government, argues: "There is no realistic possibility of controlling credit in a system in which several independent central banks each have the independent authority to issue credit."

The Russian central bank has taken an increasingly tough line. In June, it began to limit the amount of trade finance it would grant for Russian exports to other republics. In September, it effectively ejected Ukraine from the rouble zone by refusing to accept any further payments from the Ukrainian central bank. Finally, on November 12, the Ukrainian government announced it was abandoning the rouble completely and planning a fully

independent currency. Yet this monetary divorce will not solve the underlying problem which plagues economic inter-republican relations: the high degree of specialisation and economic interdependence within the former USSR. Russia trades only 18 per cent of its total

is twice as exposed to inter-republican trade, while 10 of the smaller republics have inter-republican trade ratios higher than 50 per cent, as the chart shows. Moreover, the concentration of energy reserves in Russia and the low level of energy prices previously set in the USSR, means most of the republics bave effectively been subsidised by Russia. If trade flows are calculated using world energy prices, then most of the republics, including Ukraine, would have large inter-republican trade deficits. Already, as energy prices have risen, the republics' central banks have been forced to create rouble credits to finance their growing trade deficits.

A separate Ukrainian currency will pre-

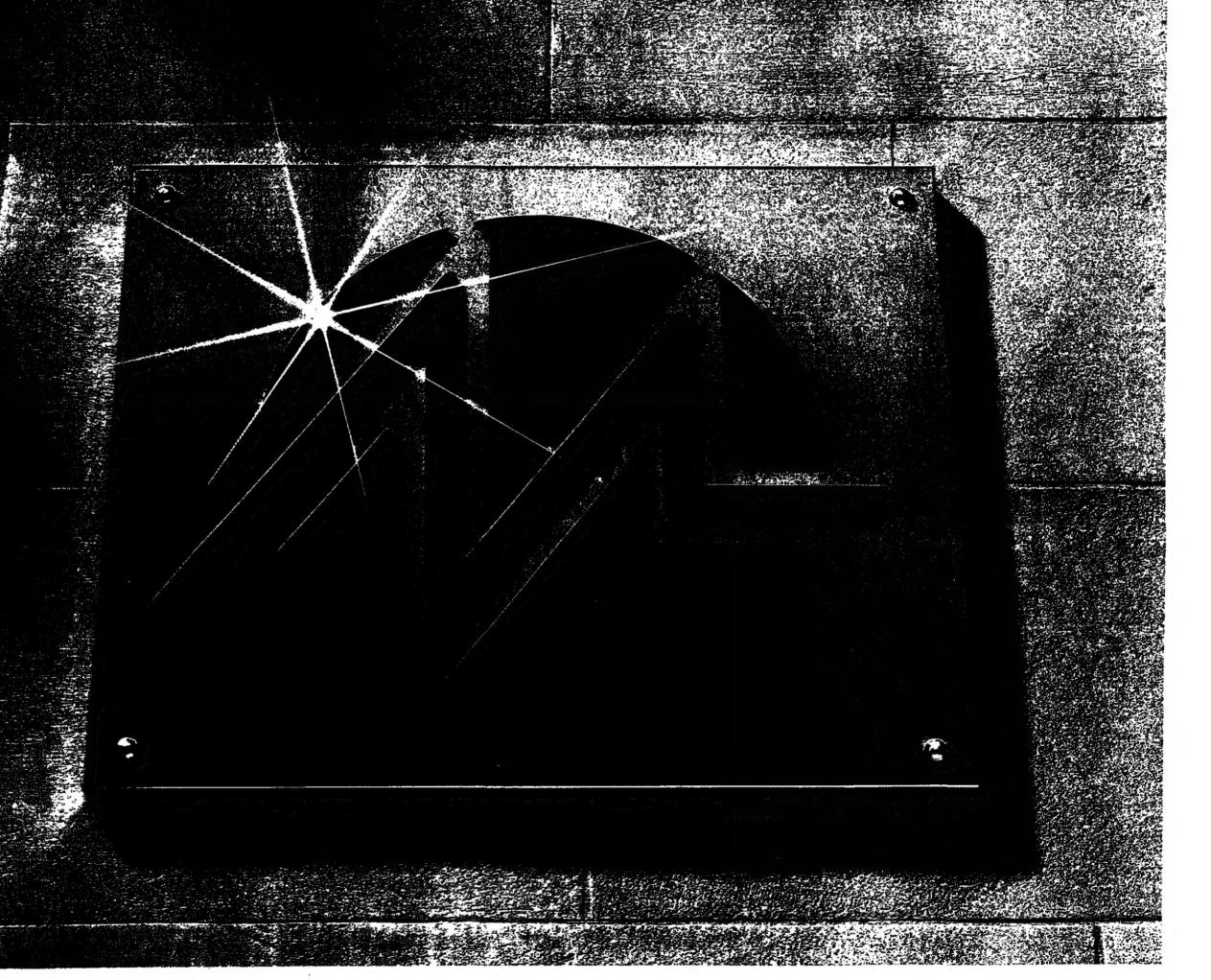
clude this inflationary form of trade finance. The risk is that Ukraine's trade with Russia will now collapse completely. Russian exporters are unlikely to accept potentially highly inflationary currency. Nor will Ukraine be able to earn sufficient convertible currency to finance trade equal to a third of its total output

One solution, exhaustively discussed a recent book published jointly by the European Bank for Reconstruction and Development and the Royal Institute of international Affairs, is an inter-republican payments union. Russian exporters and importers would be paid in roubles from the Russian central bank while the Ukrainian traders would be paid in the new Ukrainian currency. Every few weeks, the trade balance between Russia and Ukraine would be settled in hard currency at an agreed dollar or Ecu exchange rate, perhaps with western financial support.

A payments union would allow Russia and Ukraine to run independent monetary policies while preserving trade links and preventing a further collapse in output. Ukrainian independence may make economic as well as political sense. But a shift to autarky would be costly indeed.

**Edward Balls** Trade, Payments and Adjustment in Central and Eastern Europe. RIIA, 10 St

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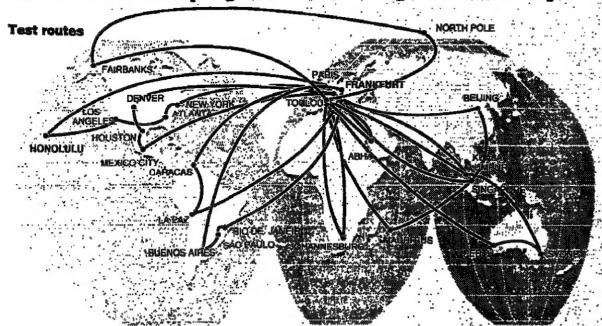
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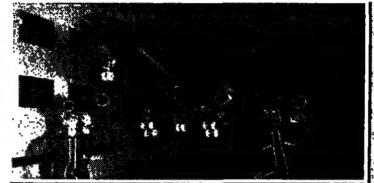
#### Airbus A340 test programme: the long haul to safety

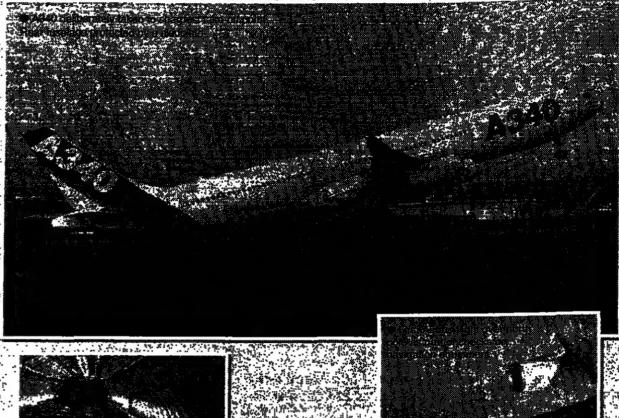


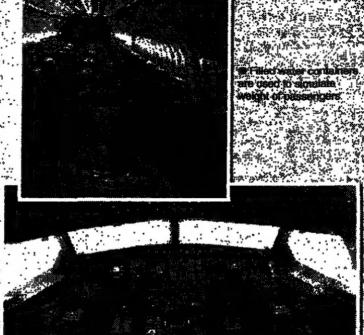
November 21 flight

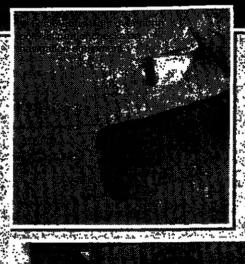














# Before making the world's longest commercial flight first fire frozen chickens at the aircraft

Tet legs are getting longer. An Airbus A340 aircraft, many costing millions Paul Betts looks at the \$1.5bn programme to test four engine widebody airliner in Lufthansa colours took off on Saturday from Frankfurt to fly non-stop 12,000 kms to Honolulu.

It took roughly 15% hours and ushered in a new era of long-distance air travel. But the journey - the

longest non-stop passenger flight ever to be undertaken under scheduled airline conditions from Europe - is only a small if spectacular part of one of the most exhaustive test programmes for a new civil aircraft before it begins regular commercial service in

Airbus is still struggling to a in broad public acceptance of the fly-by-wire system it introduced in its A320 narrowbody twin-engine around and which it is now adapting to the A310 and its shorter-range sister aircraft, the ASO twan.

Fly-by wire is a system of flying an aircraft through computers. It has been at the centre of a long-running controversy after three A320 crashes, two in France and one

It has taken the European aircraft consortium two years to prepare its new airliner clauming the longest range of any accraft in aviation history for commercial operations.

Airbus has spent about \$1.5bn on testing the safety and performance of the new giriner - two fifths of the acceraft's total \$3.5bm

have taken place on the ground as well as flight tests using six aircraft costing

undergo gruelling testing to meet increasingly tough airworthiness certification requirements. But Mr Bernard Ziegler, the head of Airbus engineering and a test pilot himself, says Airbus has had to undertake more extensive development testing than its US competitors, Boeing and McDonnell Douglas, not only because it is a relative newcomer to the airliner market but because its aircraft have introduced new - and at times highly controversial -technology to commercial

On fly-by-wire, Mr Ziegler insists that it is a safer and more efficient way of flying. introducing it in its new 777

All new commercial aircraft

"The technology is not at stake and all three A320 accidents were crew-related," he says. With the A320, though, he acknowledges, Airbus may not have sufficiently understood and addressed the task of training crews to fly using the new flight computer system. To test the safety of its fly-by-wire system, the A340 like the A320 - has undergone

rigorous testing for electromagnetic interference. The problem is: what happens if an airliner flies by mistake over a secret military base equipped with special radars electronics on board?" another

safety and performance of the new Airbus A340 "To study electromagnetic aircraft's windshield and interference to the extreme, we engine fan blades was used to stuck an aircraft in a French naval base, where it was

> waves of various intensity." Lightning strikes can also cause serious electromagnetic interference, so the A340 was flown into a storm to seek out lightning. After 17 strikes, all systems continued to operate normally. The A340 also flew over the North Pole to test its navigational equipment when everything suddenly points from north to south. It was the first flight ever by an Airbus

bombarded by radio and radar

sometimes burst." A cannon firing dozens of frozen chickens at the

test their resistance to birdstrikes. The runway at the French military base of Istres had to be lengthened by about 120 metres to test aborted take-offs and the aircraft's

Mr Robert Alizard, Airbus public-affairs manager, says: "We needed the additional runway length to give ourselves sufficient margin for these tests when brakes become red hot and tyres

In ground tests, the structure of one A340 was stressed to breaking point. The wings were bent by 240 hydraulic jacks four metres up before the first damage appeared. Another aircraft was used for fatigue tests, when vibration, landing impacts and pressure variations are simulated. "We test all our aircraft for

fatigue up to three times its planned service life and for some components up to five times," Mr Ziegler says. One difficulty the A340 ran

into in testing was vibration on the wings. We had to make a slight modification in the wing profile in one local area but it still cost \$40m," says Mr Ziegler. Another snag arose when the aircraft's landing gear refused to lock properly.

loaded with computers studied the behaviour of the airliner at all speeds and altitudes, including the worst-case scenario: finding out how the aircraft reacted when various systems failed.

For the first time, Airbus conducted flight tests on the A340 in real time. The information from computers in the back of the aircraft monitoring all aspects of test flight was directly beamed down by satellite to the Airbus Toulouse test centre.

The aircraft was thus constantly linked in real time to Toulouse, which could itself monitor the tests and instruct the pilots to conduct particular tests or repeat them immediately. In the past, the data from the test computers on board had to be deciphered

two-thirds of the test programme related to safety; the rest involved the performance of the aircraft in airline operation. "Today all the safety issues are resolved and closed; we are in the final route-proving programme to test the aircraft's operational reliability in commercial airline conditions," he says. The two launch customers, Lufthansa and Air France, are taking part in the three-week route-proving tests involving

long-distance and shorter-haul flights around the world using two aircraft: a longer-range A340-200 in Lufthansa colours and a shorter-range but higher-capacity A340-300 in Air France livery. The two aircraft are fitted out for commercial operations but also carry flight test instruments to measure not only aircraft performance but also cabin systems and senger comfort. "Although less significant

for the manufacturer, it is extremely important for the airlines to start up operations with as mature an aircraft as possible," Mr Ziegler explains. "This involves chasing all the snags and teething problems you always get when you introduce a new airliner. We plan to avoid with the A340 about three-quarters of the introduction problems we had with the A320."

The first delay suffered during the present route proving exercise by the Lufthansa A340 was on a short hop between Frankfurt to Madrid. "The coffee machine did not work," Mr Ziegler said. "My flight engineers couldn't care less - but the airline

# High life has hazards for the long-range flyer

AIRCRAFT ARE built to cope with marathon flights, but how does the human body cope? Mr Hans Mirka is the ultimate high-flying business-man. He left London on Tuesday for Dallas, flew on to Tokyo on Wednesday, was back in Dallas on Saturday and is returning home to London tonight. He does this sort of trip about once a month.

Head of International operations at American Air-lines, the world's largest cardevelopment cost. Structural and fatigue tests rier, he was moved from the group's Dallas hendquarters to London this year because his

Friday, be in Tokyo on Satur-day, leave for Dallas on Sun-day, attend our Monday board meeting and then catch the night flight to be in his office in London first thing on Tuesday," Mr Crandall explained during a recent visit to Lon-Mr Mirka, who has already

done several of these round the world weekend business trips this year, is an extreme but by no means unique example of the globe-trotting execu-

felt London was the perfect jumping-off spot for a globe-trotting executive. tive. And with the start next year of 16-hour "hops" with the A340 very-long-range air-liner, the world will shrink further.

The A340 is expected to open up a whole series of new long-distance connections that would be uneconomical to serve with a 400-seater Boeing 747-400. But the new era of long-distance flying raises a number of health and safety implications for passengers and airline crews.

So far, there has been no real evidence that flying over many different time zones damages your health. But Dr

Rory Barnes, a medical adviser for the UK's Civil Avi-ation Authority, recommends travellers to get up and exer-cise their legs during very long flights and restrict alcohol consumption to a mini-mum. "If you can sleep on an aircraft, try to plan a nap to put yourself in a new time zone," he advises, as well fol-lowing an eating pattern on board to help the body change rhythm as it crosses different time zones.

One controversial issue is possible risks of radiation. Dr Barnes says that very fresure is less than for workers regularly exposed to radiation on the ground, but higher than for the normal population. The higher and the closer to

the North Pole you fly, the greater the radiation risk. On Concorde, which flies at 50,000 ft, a radiation meter is carried on board. New long-distance subsonic aircraft also fly high, with the A340 able to cruise at

heights of up to 41,000 ft.
In contrast to pilots and
cabin attendants, who go off
duty after a long flight, business people usually have to start work.

back of very long flights for businessmen is that they can reduce their overall performance on arrival. Several studies have shown

that jumping off an aircraft after a long flight straight into a meeting often leads to lower efficiency and poor decision-"People often don't allow

enough time to travel: busi-nessmen would do better to delay taking decisions until they have recovered," Dr Barnes suggests.

Paul Betts

# Ozone hole rescue moves lead to a tussle Germany offers Hungary

INTERNATIONAL agreements to prevent damage to the earth's ozone layer have been one of the past decade's most successful responses to envirenaental threats. Today in Copenhagen, representatives of some 100 countries meet to try and tighten safeguards further - but critics fear the new measures may represent a weaken-

The 1987 Montreal Protocol committed Di countries to phasing out by the year 2000 all production of chemicals that could damage the ozone layer, notably chlorofluorocartions (CFCs) used in aerosols and airconditioning.

ozone-depleting chemicals has fullen, largely because acrosols

use substitutes.
Industrialised countries saw consumption of CPCs and halons, a second regulated class of chemical, fall by 33 per cent between 1986 and 1990. But consumption rose by 50 per cent in developing countries in the same period, although total levels are still more than 20 times less than the total in developed countries.

The protocol's signatories are wrestling with three main ways of tightening commitments further at the meeting: Accelerating the phase-out

Since then, consumption of consequence controlled list, This is likely to be agreed, with the phase out of the controlled list, This is provablen, largely because acrosols

GFCs, trichloroethane and car
ing more controversial. HCFCs, bon tetrachloride production brought forward from January 2000 to January 1996, and the phase-out of halons from 2000

to either 1996 or 1995. Unlike the present form of the protocol, the new commitments will make exemptions for "essential industries", and those will not be defined until the next meeting in 1994. Environmental groups have been concerned that although the measures appear to represent a tightening of the rules, the "loophole" will allow much production to continue.

increasingly used as a lessdamaging substitute for CFCs are one target, but environmental groups are concerned that the permitted levels will be set too high. Proposals to freeze production of methyl bromide, a pesticide widely used in preserving and transporting fruit and grain, look set for an even rougher ride. Developing countries and others who export a lot of fruit have questioned theevidence

for its damaging effects.

Establishing on a firmer

basis the fund to pay for devel-

oping countries' adaptation. This is likely to be the biggest area of controversy.

There is general consensus that the present interim fund of \$200m for 1991-1993 has not been working well. Some coun tries, such as the UK, have been criticised for not paying up their full commitment. They in turn have criticised the fund, which is implemented by the United Nations development and environment programmes (UNDP and UNEP) and the World Bank, for its slowness in finding pro-

Bronwen Maddox | ness that military support for

# free military spare parts

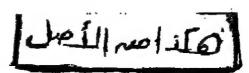
By Nicholas Denton

GERMANY will give Hungary free military spare parts from the former East German army, it said at the weekend, in spite of concerns that such deliverles might fuel tension. Mr Bernd Wilz, state secretary at the German Defence Ministry, said the equipment was necessary so as not to leave Hun-gary "undefended".

Bonn's decision comes after much hesitation and nervousHungary, which borders the warring Yugoslav successor states, might infringe Germany's rules against providing arms to areas of crisis.

Mr Wilz emphasised that Germany would not supply lethal equipment, and Mr Erno Raffay, his Hungarian counterpart, denied that the announcement marked a Hungarian military build-up. But the announcement closely follows a visit to Budapest by Mr Boris Yeltsin during which the Rus-sian president approved the delivery of \$800m (2530m) in supplies of military spares and air-defence equipment to Hungary in partial repayment for Russia's trade debt of more than \$2bn.

The latest arms deals reflect an attempt by Budapest to maintain military strength while a budgetary crisis pre-cludes higher military spending. The effort to shore up the armed forces comes against the background of deteriorating relations with neighbouring Slovakia, Romania and Serbia, which all contain large Hungarian ethnic minorities.



Dem

Blo

Adr

A TOP military official of the Commonwealth of Independent states has warned that CIS states were "less and less able" to ensure their own secu-

He spoke as reports came in of a massacre of 800 refugees on the border of Tajikistan with Afghanistan, and of an intensification of fighting in the disputed enclave of Nagorno Karabakh.

Lt Gen Leonid Ivashov, secretary of the CIS Defence Min-istry council, said in Moscow yesterday that armed conflicts were spreading in many regions and that none of the new states was capable of ensuring its own security. because the process of forming armed forces had been so

The worst example is Tajikistan, where, according to the Russian news agency NeGa, heavily armed groups attacked a refugee camp and killed some 800 people. There was no indication as to when the attack took place.

The camp appeared to be one for the thousands of refugees from the fighting between supporters of Mr Rakhmon Nahievc, the former Communist ader and supporters of the pro-Islamic government. The fighting swept into the republic's capital, Dushaube, last month. The complete breakdown of order in the country and its fragmentation into areas controlled by different ethnic factions, appears to point to further conflict.

Mr Askar Akayev, president of the neighbouring republic of Kyrgyzstan, told a visiting group of US senators that Tajikistan could soon with-draw from the CIS and turn into an Islamic state.

In Azerbaijan, the Defence Ministry yesterday claimed that Armenian self-defence forces in the north of Nagorno-Karabakh attacked two strategic villages. Armenians said that 30 Azeri and eight Armenian soldiers were killed. Diplomats say tightened embargo will fail to stop violations along Danube

# Blockade of Adriatic ports begins

WESTERN warships yesterday egan enforcing a United Nations trade embargo on Montenegro and Serbia in an attempt to stop the war in Bos-

nia-Hercegovina. Five ships from the Western European Union (WEU) yester-day were due to join seven Nato vessels detailed to stop and search all ships sailing to or from Adriatic ports in Montenegro, which along with Serbia comprises the reconsti-tuted although unrecognised Yugoslavia.

The task force, which ncludes the HMS Gloucester, s authorised to use force to stop any ship suspected of smuggling goods banned by the UN resolution.

By John Murray Brown in

TURKISH leader Suleyman

Demirel takes his campaign for

Turkey's membership of the

European Community to Lon-don today amid signs that Tur-key's conservative-led coalition

is increasingly out of step with

Major, the British prime minis-

ter, and Mr Jacques Delors,

president of the European

Commission, Mr Demirel will

make the case that Turkey

deserves a better hearing, and

that its value to the west has

become all the more vital given

the political turmoil in the

During talks with Mr John.

public opinion on Europe. -

Nato announced on Saturday that ships from its Standing

(Stanavformed) would begin policing Adriatic waters yesterday with the support of mari-time patrol aircraft in an oper-ation codenamed Maritime

However diplomats yester-day feared that the tightened-up oil embargo would not stop violations along land coutes and the River Danube. One diplomat said: The blockade addresses only part of the problem, but the major viola-tions concern interdiction on the Danube and the still porous land borders." Lorries laden with tens of thousands of tonnes of petrol ply Yugoslav-ia's frontiers each day, accord-

ing to police and diplomats.

The UN imposed sanctions including an oil embargo on Yugoslavia on May 31. Until yesterday, however, the multi-

Demirel aims to win better

to emphasise that Turkey's

recent moves to bolster ties

with both Black Sea and Cen-

In Rome last week Turkey

signed up as an associate mem-

ber of the Western European Union. However Ankara

remains anxious that this 10-

nation defence organisation

should not replace Nato as the

centrepiece of European

At the Turkey-EC associa-

tion council earlier this month,

both sides endorsed the idea of

greater political dialogue. In turning down Turkey's applica-

tion for membership in 1989, the Commission emphasised

deficiencies in Turkey's level

economic development, on

tral Asian states is no alterna-

tive to BC membership.

hearing on EC for Turkey



A Bosnian wheelbarrows his belongings yesterday past British armoured vehicles near Travnik

national Adriatic flotilla was nearby village, 45 miles only empowered to monitor the north-west of Sarajevo. Relief sanctions, not to enforce them.

The sanctions have failed to curb the bloodshed in Bosnia. Serb forces yesterday shelled Sarajevo, the Bosnian capital besieged for nearly seven months. Four people were killed in shelling by Serb fight-ers of Travnik and Turbe, a

ambassador pointed out, the enhanced relationship now

requires that the Turks

address these issues with even

more urgency, particularly on questions like the Kurds. In his address to the Confed-

eration of British industry

today, Mr Demirel will outline

Turkey's commitment to cus-

toms union. From January 1 1993. Turkey will simplify its

tariff regime to re-establish the

community's preference, fol-

lowing legislation passed by

workers yesterday warned of an outbreak of typhoid fever in Travnik, packed with tens of thousands of refugees who have fled fighting in nearby

Meanwhile in an interview yesterday with Politika, the main Serbian daily, Mr Dobrica

Cosic, the Yugoslav president said he would not stand against Mr Slobodan Milosevic the president of Serbia, in elections due on December 20. Mr Cosic, a well-known writer who wields great influence among Serbs, is widely seen as the only candidate who could pose a serious challenge to Mr Mil-

# Peru goes to polls under heavy guard

PERUVIANS went to the polls progress on Cyprus. As one EC yesterday to elect a so-called democratic constituent congress" to replace the twochamber parliament dissolved by President Alberto Fujimori on April 5. Polling stations were under heavy military guard and security around the

capital was tight. But the electoral process, monitored nationwide by a team of over 200 observers. appeared to be calm and orderly. There were no reports of violence in the early hours of voting.

Ankara in July. Turkey's accord with the RC The new congress would be charged with writing a new constitution, as well as fulfill-ing standard legislative and envisages eliminating import tariffs by 1996, and adopting the community's external tarwatchdog functions, and is

tional community demands for a return to formal democ-

Peru's two largest traditional political parties are boy-cotting the elections, how

They claim the new congress, under what they per-ceive as Mr Fujimori's dictatorship, will enjoy neither legitimacy nor autonomy, and will be reduced to rubberstamping decisions taken by the executive branch.

But Mr Fujimori's personal popularity appears to remain high enough to guarantee him the majority he insists he needs to continue with his wide-ranging programme of economic and structural

#### NEWS IN BRIEF

## ANC threat to stop constitution talks

THE African National Congress (ANC) has threatened to break off talks with the South African government on a new constitution unless a date for interim government elections is set when the two sides meet for bilateral negotiations, expected to take place next week, writes Patti Waldmeir in Johannesburg

This latest ANC ultimatum which was repeated at the weekend by its two most senior leaders. President Nelson Mandela and Secretary General Cyril Ramaphosa, appeared to be an attempt to press home the ANC's current tactical advantage over the gov-ernment, which has been weakened by disclosures of a military intelligence plot to undermine the ANC. However government was quick to reject the ultimatum.

#### **Tornadoes kill 16 in US**

At least 16 people were killed and more than 200 injured in Mississippi, Tennessee and Alabama after a series of tornadoes and thunderstorms ripped across the southern US early yester-

The death toll exceeded that of Hurricane Andrew, which struck Florida and Louisiana in late August and caused 13 deaths. Officials estimated damage will be in the millions and thousands of residents from Texas to Georgia were without

#### Israel adamant on peace talks

Israeli cabinet ministers yesterday said that Middle East peace talks would continue despite Arab warnings that the talks face collapse, Reuter reports from Jerusalem.

Mr Shimon Peres, foreign minister, said: "There is no deadlock because there will be a continuation of the negotiations."

Police Minister Moshe Shahal denied a report that Palestinians

at the talks in Washington had threatened if no progress was

#### Italians convicted of bribery

Twenty Italian businessmen have been convicted of paying bribes for public works contracts in a corruption trial that has shaken Italian politics, Reuter reports from Milan.

Court officials said the men received sentences ranging from

one year to 13 months for paying bribes to former Socialist Party official Mario Chiesa, who ran Milan's biggest municipal old

#### Bhutto to attempt march

Mrs Benazir Bhutto, the Pakistani opposition leader, will today attempt to lead an anti-government protest march in the Northern city of Peshawar to step up pressure on Mr Nawaz Sharif, prime minister, writes Farhan Bokhari in Islamabad.

Ms Bhutto is likely to be stopped from going to Peshawar, a senior official said last night. But her announcement signals that her latest campaign is continuing.

#### S Korean president apologises

Mr Roh Tae-woo, the South Korean president, apologised at the weekend for trying to stop his brother-in-law from leaving the weekend for trying to stop his brother-in-law from leaving the country's ruling party, writes John Burton in Seoul. Mr Kim Bok-dong was briefly detained by the police last week shortly before he was scheduled to amounce his defection to the opposition United People's Party (UPP).

The incident caused political controversy because it appeared the country of the cou

to violate Mr Roh's pledge to remain neutral in next month's presidential election.





## NatWest bank chairman calls for sweeping changes in City regulation | Labour seeks answers on Iraq | Britain in brief Single financial watchdog urged

By Robert Peston, Banking Editor

LORD Alexander, chairman of National Westminster Bank. yesterday proposed that regulation of the financial services industry should be the responsibility of a single body with sweeping new powers and that the present collection of selfregulatory bodies should be

The proposed single regula-tory body would have two divisions. One would police the market serving retail investors and adopt a rigorous approach to the enforcement of detailed rules designed to protect inves-

The other division would concentrate on the professional

market and would be more laisser faire in its regulatory Lord Alexander's interven-

tion in the debate on the future of financial regulation follows the decision to to hold a review of the regulatory structure, which is being carried out by Mr Andrew Large, chairman of the Securities and Investments Board, the senior City of Lon-Along with many other City

executives, Lord Alexander believes that the burden of rules for the professional mar-ket should be reduced, so long as there are no detrimental effects for personal investors. The NatWest chairman's proposal contains two other radi-cal innovations:

 He wants the new regulatory body to operate a "system of tribunals" or City courts, to punish fraudsters and other financial wrongdoers. • City practitioners should

have the right to consult the regulatory body for advice on the legality of their business dealings. Lord Alexander said it was important that if sanctions against wrongdoing were increased that City practitio-ners should be able to receive reliable guidance when they had doubts about the legality of their actions.

Lord Alexander said the current system of prosecuting suspected wrongdoers was "slow, expensive and unpredictable...It is unfair both to the public and the accused". He

tory body should not take on "vast bureaucracy" of the Securities and Exchange Comission in the US.

He is sending a memorandum to Mr Large outlining his views, but emphasised he was not being dogmatic and that Mr Large's eventual adations should command the widest possible sup-port in the City and among the

of the current system. Mr Mick Newmarch, chairman of the Prudential Corporation, a leading insurance company tly said that the UK selfregulatory system - regulation by financial practitioners

There is widespread criticism

By Philip Stephens, Political Editor

THE opposition Labour party yesterday demanded "straight" answers to the evidence of government complicity in the build up of Saddam Hussein's military machine as MPs prepared for today's full-scale Commons debate on the Iraq

Mr Robin Cook, the Labour trade and industry spokesman, said that over the past two weeks his party had demonstrated that the government had consistently misled parliament over the controls applied on defence-related sales to

He said it was up to minis ters to provide straight answers as to why equipment used in the Iraqi arms build-up was sold to Baghdad in breach

of the government's own guide-lines and why those guidelines were changed without parliamentary notification.

Mr Cook said that Mr John Major had told parliament that the embargo on defence sales to Iraq imposed in 1985 had remained in force until the invasion of Kuwait in 1990. We know that in 1988 they first relaxed the guidelines and then watered them down," he

Mr Cook, who again ques-tioned whether Mr Major could have been unaware of the controversy during his spells in the late 1980s as foreign secretary and chancellor, said that British taxpayers were now footing the bill for breaches of

He said the Export Credits Guarantee Department had

related sales worth up to £200m on which the Baghdad government had subsequently defaulted.

The Labour motion for today's debate says the conduct of ministers in the affair has been "inconsistent with the security of British troops, with open government, and with the just administration of the legal process".

But a government amendment says that the issue of whether any rules were breached must be left to the inquiry headed by Lord Justice Scott and accuses Labour of

Ministers said yesterday the papers which would be made available to the Scott inquiry would fully support the gov-ernment's case that there had been no conspiracy to arm



#### Recession affects credit attitudes

Public attitudes towards credit appear to have changed sharply as a result of the poll carried out for the BBC. Only 5 per cent of those interviewed said they would buy items such as cars on credit if their incomes rose, compared with 81 per cent who thought it better to save and use cash. Some 50 per cent thought the national economic position would get worse over the next 12 months — up from 31 per cent a year ago — while only 21 per cent believed it would improve.

#### Skoda sets up UK importer

Skoda, Czech carmaker now under the management control of Volkswagen, is setting up an importer as part of a strategy to quadruple UK sales to 40,000 a year by 1996. Skoda Automo-bile UK takes over on January t from Skoda (Great Britain).

#### Small company audits may end

The government may abolish the requirement for small lim-ited companies to have an annual audit. The Department of Trade and Industry is likely to recommend dropping audits for companies with turnover below the value added tax registration threshold of £36,600. The move would reduce costs for at least 250,000 of the 1.1m limited liability companie

#### Japanese group 'adopts' schools

female judges. Only four of 83 Righ Court judges are women.

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# provided insurance for defence-

A 9,000-tonne deck for a gas production platform leaving Glasgow for the North Sea where it will hook up to the Lomond field operated by Amoco, UK arm of the Chicago-based oil company. The 260m deck left the yard at UIE Scotland on Clydebank, where the Queen Mary, Queen Elizabeth and QE2 liners were built

#### Commercial Mortgage-Backed Bonds, Series 1986-1

NOTICE OF MEETING OF BONDHOLDERS

To the Holders of

91/2% Sinking Fund Bonds Due February 1, 1996 95/2% Sinking Fund Bonds Due February 1, 1998 Zero Coupon Bonds Due February 1, 2006

#### Mutual Benefit Overseas, Inc.

NOTICE IS HEREBY GIVEN, in accordance with the provisions of the Indenture dated as of February 1, 1986 the "fixenture") between Mutual Benefit Overseas, Inc. (the "fixuer") and Citibank, N.A., as Trustee, relating to the above-captioned Bonds (the "Bonds"), that, pursuant to Section 9.02 of the Indenture, a meeting (the "Meeting") of the Holders of the Bonds (the "Bondholders") will be convened by Marine Midland Bank, N.A., as successor trustee (the "Frustee") under the Indenture, on December 9, 1992, at 9:30 a.m. London time, in the Orchid Room of the Dorchester Hotel, Park Lang, London, England, Capualized terms used but not defined in this notice shall have the respective

PURPOSE OF MEETING

On August 21, 1902, the Issuer, Samuel F. Fortunato, as Rehabilitator of Mutual Benefit Life Insurance Company in Rehabilitation ("MBL"), the Trustee and certain Bondholders entered into an Agreement (the "Agreement"), subject to the approval of the New Jersey Superior Court supervising the MBL's rehabilitation (the "Court"), and the Bondholders, providing for, among other things: (i) the transfer of the continon stock of the holding company of the Issuer (the "Transfer") to a court-appointed receiver (the "Receiving Agent"); (ii) the appointment of IBJ Schroder Bank & Trust Company as Receiving Agent on the terms set forth in Exhibit C to the Agreement; (iii) the termination of the Servicing Agentern and the Management Agreement; (iv) the appointment of a substitute servicer; and (v) the filing of a petition under Chapter 11 of the Federal Bankruptcy Code in respect of the Issuer by the Receiving Agent ten days after the Transfer, unless such a petition shall have previously been filed by Bondholders.

On October 21, 1992 the Court, by order of Judge Paul G. Levy, approved the Agreement. Accordingly, the only

Approve the substitute servicer proposed by the Trustee and the terms of its contract with the Issuer, or such other

Approve the substitute servicer proposed in accordance with the procedure set forth below;

(ii) Approve the appointment of the Receiving Agent and the terms of its proposed contract with the Issuer, (ii) vote to exculpute MBL, in its capacity as Servicer, from any liability arising from certain actions taken with respect to certain Morigage Loans, as more particularly described in Exhibit B to the Agreement (the "Workout Actions");

(iii) approve the Workout Actions; and (iv) direct the Trustee not to take any action against the MBL based on the Workout Actions (the foregoing vote to exculpate, approval and direction being referred to hereafter as the

Concur in the advisability of the tiling of a partition under Chapter 11 of the Federal Bankrupicy Code in respect of the Issuer by the Holders of Bonds or the Receiving Agent.

In connection with the foregoing, it should be noted that:

Under the Agreement, it is a condition of the Transfer that the Exculpation be approved by the Bondholders; B. Under the Agreement, if the above matters are approved, the Transfer will occur on January 29, 1993, and on the tenth business day thereafter a petition under Chapter 11 of the Federal Bankruptcy Code in respect of the Issuer will be filed by the Receiving Agent unless such a petition shall have previously been filed by Holders of Bonds;
 C. The Issuer has advised the Transfer that Holders of Bonds will be able to obtain materials concerning the matters to

se addressed at the meeting (the "Issuer Materials") on or after December 1, 1992 from (i) the Trus ocation specified below, or (ii) the Paying Agents listed below (the "Agents"); D. Bondholders wishing to propose an alternative to the substitute servicer proposed by the Trustee will have an opportunity to do so at the Meeting, provided that they shall have delivered to the Trustee, by 12:00 noon New York time, on Fralay, December 4, 1942, the name of such proposed alternative substitute servicer and, in sufficient quantity for distribution to all Bondholders, such materials in respect thereof as such Bondholders wish to be made available to other Bondholders. Any such materials provided to the Trustee will be made available to fielders of Bonds after 12:00 noon on December 7, 1942 by the Trustee, at the location specified below, and the Agents. ATTENDANCE AT THE MEETING

Pursuant to the terms of the Indenture, only persons qualified to vote at the Meeting, representatives of the Issuer, resentatives of the Trustee, and the respective counsel to the foregoing, will be admitted to the Meeting. Members of public at large and members of the press will not be admitted.

A Bondholder who wishes to attend the Meeting in person must (a) produce at the Meeting either his Bond (or Bonds), or a valid original Ownership Certificate (as bereinafter defined) relating to his Bond (or Bonds), or (b) arrange for CFDEL or Euroclear to advise the Trustee of his ownership of Bonds and intention to attend the Meeting, all as provided more fully below. Ownership Certificates may be issued by the Trustee, at the location specified below, by each of the Agents, or, on a form available from the Trustee and the Agents, by any trust company, bank, depository or Lucembourg Stock Exchange member firm, in each instance satisfactory to the Trustee (an "Authorized Person")

In sec (an "Authorized Person")

A Bondholder who does not wish to attend the Meeting in person, but who does wish to be represented at the Meeting, or that votes be cast at the Meeting in respect of the Bonds which he holds, most deliver his Bond(s) or Owner-ship Certificates which provide the Meeting on his behalf, along with a prove form, which may be obtained from the Trustee or the Agents, authorizing such person to vote in respect of the Bonds I steel in the Owner-hip Certificate, which prove form must be signed by the Bondholder and accompanied by a signature guarantee by the Trustee, in Agent, or an Authorized Person.

In order to obtain as Owner-hip Certificate, a Holder of a Bond in bearer form must, no later than two business days prior to the date of the Meeting, (a) deposit his Bonds with the Trustee or an Agent, or the deposit his Bonds with an Authorized Person, it not already so held, and obtain the signature of such Authorized Person, by an appropriate officer thereof, on a fully completed Dwineship Certificate in the form available from the Trustee and the Agents Bonds, to deposited or held will be returned to the Bondholder upon the termination of the Meeting, A trictual annual or phetocopy of any Ownership Certificate resured by an Authorized Person must be furnished to the Irrastee, at the boatton specified below, no later than two business days prior to the date of the Meeting, A Holder of a Bond in deposited form who wishes to obtain an Ownership Certificate must cause to be delivered to the Irrastee, at the boatton specified below, no later than two business days prior to the date of the Meeting, A Holder of a Bond in deposite the form as before the feature of the Registered Bondholder.

Any Bondholder whose Bonds are held by CEDEL, or Euroclear may obtain admission to the meeting by causing

Ownership Certificate, which request must be signed by the Registered Bondholder. Any Bondholder whose Bonds are held by CEDEL, or Enroclear may obtain admission to the meeting by causing CEDEL or Enroclear, as applicable, to advise the Trustee in writing, no later than two business days prior to the dire of the Meeting, of such Bondholder's name, the original principal amounted and stated maturities of the Bonds owned by such Bondholder, and that such Bondholder, or his named representative, intends to attend the Meeting. Any Bondholder whose Bonds are held by an investment bank or other institution that holds such Bonds through European or CEDEL double request that such institution either tas direct European or CEDEL to provide the Trustee with the name of such Bondholder, or the name of his representative, along with the amount of his beneficial holding, in what case no Cararchip Certificate will be required, or (b) issue an Ownership Certificate, or stack case Turocher or CEDEL, should be requested to confirm the holdings of such institution in respect of which Ownership Certificates have been routed. The Trustee has been informed that in order for CEDEL and function to a same complying with the aforementioned schedule, they should be instructed by the Bondholder or ostatation, as the case may be, in an appropriate manner, it least tour business days prior to the date of the Meeting Birosing passed that Bondholders seeking assistance from function or CEDEL contact them sufficiently in a branch of the abovementioned deadline to assure timely compliance with such relevant requirements as Euroclear or CEDEL, must have

The original Ownership Certificates must be delivered to the Trustee in London on the day of the Meeting in order to be admitted to the Meeting, and will be retained by the Trustee. Persons scoung to intend the Meeting will be required to farmsh identification satisfactory to the Trustee.

THE TRUSTFI, RESERVES THE RIGHT IN ITS SOLE DISCRETION, TO ADMIT OR DENY ADMISSION TO THE MLETING TO ANY PERSON PURPLISHING TO BE A BONDHOLDER OR REPRESENTATIVE THEREOF WHO FAILS TO COMPLY STRICTLY WITH THE REQUIREMENTS SET FORTH IN THIS

For there to be a quorum at the Meeting their, must be one or more persons present entitled to vote B representing a majority in Aggregate Current Principal Amount of the Bonds at the time outstanding

Any matter submitted for electrication or action proposed to be taken, at the Meeting will be decided by written builted to the execution of action proposed to be taken, at the Meeting will be decided by written builted to take execution a very, every person who is present and entitled to vote shall have one vote for each One Posillar (L. S. 54 00) of impaid principal amount (in the case of the Sinking Fund Bonds) or Accreted Value (in the case of the Coupon Bonds) of the Honds held or represented by such person. Ballots will be made available at the Meeting.

The Agents reterred to in this Notice are Citics op Investment Bank (Luvernbourg) S.A. 16 Avenue Marie Therose L-2132 Lavernbourg

Cuttons Center-Third Floor Lundon SE12QT, England

The Trustee, CFDFL, and Euroclear may be contacted at the following addresses in connection with the matter

Marose Wildard Bank, N.A. Capetale Int.: Department 140 Boxale ay si 2th Goot New York, New York 10035 Attention, Ms Vivian George .

r Relegiorne (212) (155) (151) (Telecomer: (212) 655-6425)

November 13, 1992

84. Grand Duchesse Charlotte L. 1010 Lavemburg Attention: Orstody Events (Telephone: 44-99-2-522) (Telecopper: 44-99-2-8207) M. Dortda Savmo

Euroclear Operations Center Rue de la Regence 4
R-1000 Brussels, Relgium
Attention; Custody Special
Operations (Telephone: 519-2877) (Telecopier: 519-2613)

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION, If you are in any doubt about

MARINE MIDLAND BANK, N.A.

#### bears brunt of fire damage art have been lost although they include Sir William started, ranging from a work-

Castle rather than contents

By John Griffiths

AS SMOKE and steam lingered yesterday over the ashes of what were once some of the most stately of Windsor Cas-tle's 1,000 rooms, it became clear that the castle's art treasures had been less dawn by the weekend's fire than had previously been feared.

By last night, Buckingham Palace and National Heritage Department officials agreed the biggest task arising from the blaze which raged through the 800-year-old castle for more than 24 hours is the restoration of the building itself.

Some of the worst-damaged rooms had been stripped of ost of their contents as part of a three-year renovation pro-gramme just months before the fire. Only a handful of works of Beechey's huge portrait of George III, familiar to millions of visitors to the castle from around the world.
Calls, particularly from some Labour MPs, were increasing

sterday for the Royal Family itself to contribute to rebuilding costs, despite the govern-ment having acknowledged its long-standing responsibility for maintaining the fabric of Windsor and other royal residences. Mr Peter Brooks, Heritage Secretary, is expected to make a statement in the Commons today setting out when and

how reconstruction will start Media reports of between 250m and £80m being needed were dismissed by officials as esstimates" Reports of how the fire

**HOUSE MORTGAGE RATE** 

With immediate effect

Coutts & Co have reduced

their House Mortgage Rate for new borrowers to

8.5% (8.87% typical APR).

Their House Mortgage Rate

for existing borrowers

will be reduced to 8.5% (8.87% typical APR)

with effect from Tuesday 22nd December 1992.

Mortgages are grapted subject to status and conditions. Applicants must be over the age of majority. Security is required. APR's may be variable. Written quotations are

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REPAYMENTS ON A MORTGAGE OR OTHER LOAN

440 Strand, London WC2R 0QS

SECURED ON IT.

man's dropped cigarette to a welding torch left too near curtains, were also dismissed as speculative. A team of forensic experts is trying to discover the cause. Senior officers of the Berkshire fire brigade also cted reports that cost-cut ting measures by the royal household had reduced fire

cover at the castle. Tourists were still being allowed into unaffected lower grounds of the castle yester-day. Nearly 650,000 visited the castle last year but it remained unclear how long some of the main incentives to visitors will be closed. The 200-foot long St George's Hall is devastated and roofless, the Waterloo Chamber is ruined and both the Grand Reception Room and great Cor-ridor badly damaged.

#### banks in new Lloyd's row TWO Canadian banks - the Toronto-Dominion Bank and

Two Canadian

the Bank of Nova Scotia - are refusing to honour letters of credit they gave to Lloyd's Names until English courts rule on allegations of fraud at the insurance market, writes Richard Lapper.

Both banks wrote to Lloyd's on behalf of two Lloyd's Names earlier this month. The Names are among some 30 Canadians who face heavy losses as a result of their memberahip of syndicates managed by Feltrim, Gooda Walker and other agencies. The letters of credit form part of the wealth Names must show in order to participate in underwriting at the

insurance market.

Lloyd's is playing down the importance of this latest row. A spokesman said that allega-tions of fraud "are unfounded".

# Japanese owned Fujitsu Micro-

Adopt a School programme in which employees of its County Durham semiconductor plant will be attached to twelve schools in north-east England. to encourage more pupils into engineering careers.

#### Judges are out of touch

according to a survey of public attitudes to the legal system. More than 65 per cent of 1,000 people in England and Wales surveyed for the maga-zine Solicitors Journal agreed "judges are out of touch with everyday life and everyday people". Almost 80 per cent said there should be more

**Notice of Redemption** 

#### J.P. Morgan & Co. Incorporated

US \$200,000,000 Floating Rate Subordinated Capital Notes due 1997

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of December 19, 1985 (the "Indenture"), between J.P. Morgan & Co. Incorporated, (the "Company") and Bankers Trust Commany, as Trustee that the Company has, at its option elected to redeem \$150,000,000 principal amount of its Floating Rate Subordinated Capital Notes due 1997 (the "Notes") on December 23, 1992 (the "Redemption Date") at 100% of their principal amount plus interest secreted thereon to the Redemption Date (the "Redemption Price") in accordance with Article Three of the Indenture and as set forth in the terms and conditions of the Notes. The following are the Boards which will be redeemed in whole: Outstanding Notes of \$10,000 each bearing serial numbers ending in the follow

00 07 15 20 24 29 30 38 42 47 51 55 59 63 71 75 01 10 16 21 26 30 34 39 43 48 52 56 60 65 72 76 03 11 17 22 27 31 36 40 44 48 53 57 51 68 73 77 06 12 18 23 28 32 37 41 46 50 54 58 62 62 74 78

All conditions precedent to such redemption have occurred and the principal and interest on the Notes will become due and payable on the Redemption Data upon presentation and surrender of the Notes so called for redemption together with all unmatured coupons attached, on or before the Redemption Date at the specified office of any of the Paying Agents listed below:

Swiss Bank Corporation CH-4002 Basie Switzerland Morgan Guaranty Trost Company of New York 60 Victoria Embankment London EC(Y QJP

Morgan Guaranty Trust Company of New York Mainzer Landstrause 46 D-6000 Frankfurt am Main 1, Germany Morgan Gueranty Trust Company of New York 14 Place Vendome, 75001 14 Place Vendome, Paris, France

Morgan Guaranty Trust Company of New York Avenue des Arts, 35 1040 Brussels, Belgium

Banque Internationale a Luxembourg S.A. 2 Boulevard Rajas L-2953 Luxembourg

On and after the Redemption Date, interest on the Notes so called for redemption will cease to accrue and the sole right of the holders of the Notes shall be to receive payment at the Redemption Price (including payment for a missing compon in respect of which a deduction shall have been made from the Redemption Price) upon surrender of the Notes.

of the Notes.

Payment pursuant to the presentation of the Notes for redemption made by transfer to a United States dollar account maintained by the payee with a hank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds (including premium, if applicable) if a payee falls to provide a paying agent with an executed IRS Form W-8 in the case of a non U.S. person or an executed IRS Form W-9 in the case of a U.S. person. Those holders who are required to provide their accurate Taxpayer Identification Number and who fail to do so may also be subject to an IRS pensity of U.S. \$50. Accordingly, please provide all appropriate certification when presenting the Notes for payment.

J.P. Morgan & Co. Incorporated By: Bankers Trust Company, or Truster

Dated: November 22, 1992

الأعلى الأصل



ا تعكد اصم المصل

wiss bankers traditionally neither take risks nor are they iconoclasts, especially where computer systems are

Yet a group of cantonal banks, based in Lausanne and Geneva, is pioneering an approach to data processing which may presage a new era in electronic banking.

Led by Banque Cantonale Vau-doise (BCV), a medium-sized retail bank serving the canton of Vaud from its Lausanne headquarters, the group is pooling its computing resources in a separate organisation owned equally by five founder members.

The collaboration has come about principally through BCV's need to share the estimated £100m costs of developing new and more competitive computer systems.

The Financial Times first examlned the project when it was on the drawing board; three years on, it seems to be going well with cost reductions of up to 30 per cent a year expected by 1995 on what would have been total running costs for individual members of the

The new company, Unicible, is now planning to recruit more members and sell its services outside, doubling the number of accounts it is processing to 2m within five years. Its management considers this the minimum to survive. The Union Bank of Switzerland, one of the country's big three international banks, is among the organisa-tions which has already talked to Unicible about possible co-opera-

Unicible began operations for-mally at the beginning of the year, causing a stir in staid Swiss bank-

Alan Cane reports on a pioneering effort to develop a new approach to data processing

# Swiss bankers share secrets

The development is controversial because it provides identical data processing services to each member, operating computer hardware on behalf of shareholders from two mainframe sites.

A bank's computer system these days contains as much of value as its vaults. Accounting information, lending records and so on, are filed away on batteries of capacious disc

It is the kind of data which can be used to compile marketing profiles of customers, opening the door to the cross-selling of a wide variety of financial products. Bankers conventionally see such information as their crown jewels and guard it jeal-

Yet the Unicible shareholders -BCV and Crédit Foncier Vaudois in Lausanne, Banque Hypothécaire du Canton de Genève and Caisee d'Epargne de Genève in Geneva and Banque Cantonale du Valais in Sion are not only sharing processing services, but developing applica-tions software on a common basis, using a single software develop-

This includes software designed to give institutions a competitive edge, again an area companies tra-ditionally reserve for their own computing specialists.

The Unicible initiative is a form of facilities management, or "out-sourcing", which is becoming an increasingly credible option for companies anxious to concentrate on what they do best, leaving essential, but non-core, activities to out-

ut it is still highly unusual in the banking community. Barclays Bank in the UK, for example, recently hived off its data processing department as a subsidiary, Barclays Computer Operations (BCO), which sells computing services to outside customers in addition to members of the Barclays group. BCO is wholly owned by Barclays, and its outside customers - while in financial ser-

vices - are not competitors. Unicible has its origin in decisions taken in the late 1980s by BCV. Then a moderately successful

about its continuing ability to hold its own with its big Swiss competitors - Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse - and, with the advent of the single European market, foreign hanks as well.

Like many cantonal banks, its strength lay in its local business personal savings and mortgages -and it lacked the business expertise and computer systems flexible enough to exploit newer, more profitable banking products.

The bank had two iconoclasts

among its senior executives: Francis Randin, then senior vice-president for organisation and information systems, and Pierre Pennone. head of information systems development. Randin, the voungest-ever member of the Swiss Bankers Association, has now given up his banking career to run Unicible, Pennone has taken charge of systems development there.

Randin and Pennone persuaded BCV to re-engineer its business pro-cesses and its information systems using special computer software



and new International Business Machines' file system, DB2.

Business process re-engineering changing the way a company does business to focus its respon-

back in 1988 it was very new, as was the Texas Instruments' software Information Engineering Facility or

BCV became its first commercial site: it still has more experience of the technology than any other cussiveness to fast-changing markets

IEF is a very large and sophisticated form of computer-aided systems engineering (Case); it uses computer power to design business processes and automatically write the computer systems to underpin them. According to the US technology consultancy Gartner Group, it has proved itself the most successful Case system in a difficult mar-

But the entire strategy, planned to take up to 10 years to complete, was certain to cost more than BCV could afford alone, hence Unicible. Three years into implementation of the transformation strategy, both Randin and Pennone agree that IEF has proved an effective re-engineer-

One-third of the five banks' application programs - some 2,000 operational procedures - have been rewritten; another third will be ready in 18 months. That leaves what Pennone describes as "decision-making" programs - software for competitive advantage but in areas outside the banks' present

For these topics it is seeking outside know-how: for investment portfolio management, for example, it has bought a Belgian product which it is rewriting, using IEF to offer to its shareholders.

Pennone explains that Unicible works because its shareholders have the same processing needs and the same global strategy; they are not in competition with each other although they face the same threats

from bigger banks.

And they have the same need to keep up with technology. Pennone is already beginning to think about open systems and multimedia which he says represent a "tremendous opportunity".



There is a fine balance to be struck between cutting costs and maintain

# Exploring new construction contracts

Deborah Hargreaves says BP is seeking to cut the cost of gas exploitation

RITISH Petroleum is pioneering a new type of con-tract that could significantly cut the cost of construction work in the North Sea.

The new contract heralds much closer co-operation between North See contractors and their oil comnany customers at a time when rig orders are thin on the ground.

BP has entered into partnership with two contracting companies, UIE Scotland on Clydeside and Glasgow engineers. Kyaerner HG Offshore, to share the cost of building a £50m rig to develop the Hyde

The three companies have created an alliance that aims to get away from the traditionally adver-

sarial relationship between contractor and client.

By clubbing together, the compa-nies are hoping to eliminate any overlap in the work of designing and building the gas rig. This should cut down on excess

costs which often build up when a contractor is working on a project. The idea of a partnership between oil operators and contractors is driven by the changing needs of the North Sea where future developments will be small and extremely cost-sensitive.

Brian Divers, managing director at UIE Scotland, estimates that the Hyde rig should be completed 20 to 30 per cent below the budgeted fig-

"The common objective is to come out below target, whereas contractors often boost costs in

order to make a profit," he says. The design, engineering and construction team working on the Hyde contract consists of around 30 people when, typically, a similar project would have employed three times that many.

Layers of inspectors and supervisors have been eliminated although the project managers stress there is still a fine balance to be struck between cutting costs and main-

taining quality and safety.

If the rig is completed below cost, the cash left over will be used to pay out pre-set profit levels to the two contractors. Once that has

been paid, any remaining funds will be split on an agreed percent-age basis between all three part-

to earn higher profit margins than on traditional contracts, but since they carry part of the risk they could also end up with nothing. If the project is subject to any cost overrun, additional funds are

This means the contractors stand

provided by all three companies on certain cap.

an agreed percentage basis up to a Chris Rhodes, manager of the southern North Sea exploitation and development at BP, explained the necessity of cutting costs: "Maybe for the Forties development

[one of the first flagship North Sea

fields) you could afford a blt of gold-plating and still make money, but you can't do that on these smaller fields."

The partnership idea also bullds a closer, more long-term relationship between contractors and oil operators in the current uncertain climate.

"There is a growing recognition that if we continue to do things as we've always done in the North Sea, the life expectancy of contractors and operators is limited," said

BP is applying the general princi-ples behind a partnership deal in its negotiations with other contractors and other North Sea operators are looking at the concept with

But some oil executives believe the idea works only with smaller, less complicated construction projects and will take some time before it can be applied to large-

REPEAT INVITATION TO TENDER FOR THE HIGHEST BID for the separate purchase of the production units and other assets of "HELLENIC CHEMICAL PRODUCTS & FERTILISERS COMPANY SA", of Athens, Greece,

of 20, Assalius ave, Athens, Greece (the "Compuny"), which has been declared, by virtue of decision No 4299/1992 of the Athens Court of Appeal, under the status of sp tion according to the provisions of Law 1892/1990

or the higher bid by submission of scaled binding offices for the separate purchase by public auctions (the "Au Josephay, defined by the Athens Court of Appeal as follows:

PRODUCTION UNITS AND OTHER ASSETS OFFERED FOR SALE (brief description)

DRAPEISONA INDUSTRIAL COMPLEX - DIC\* (1st Auction): The DIC is built on an estate of 255,000m² owned by the Company and located by the sea in Drapetsons, Piracus and is accommodated by exclusive port facilities. It includes sectors for fertilisers, for sulphuric acid and phosphraic acid, for chemicals, for sheet glass and for agricultural chemicals. The DIC is in operation with a personnel of 810 employees.

RASSANDRA MINES (2nd Auction): The mines are located in the area of the villages of Stratoni and Olympias in the Chalkidiki Pennaula (Northern Greece) and are accommodated by part facilities. The Mines include 1,764,000m<sup>3</sup> of land owned by the Company, houses and two differential floation one plants for mixed sulphides with a capacity of 700,000 and 400,000 tens respectively with certain sulphides one reserves of more than 13 million tons and possibly 7 more million tons and, in addition, 11 million loss of pyrite, 4 million tons of chalcopyrite, and 1.5 million tons of manganese ore. The Company is holding mining licenses over a total area of 350km<sup>3</sup>. The Mines are in ration with a personnel of 1,049 employees.

operation with a personner or 1,009 cmpanytes.

HERMIONI OUARRIES (3rd Auction): In the quarrying acctor the Company is holding a marble quarry of a variation known as "Heliolouston" and two plants for the processing of marble blocks of a capacity of 15,000m" shanted near the town of Hermiton in Peloponnessus on owned land of 106,000m" including houses of a total covered area of 5,242m" and offices and stone of a total covered area of 984m". The quarries are in operation with a personnel of 10 employees.

STOCKS IN CING SA (4th Auction): Nine thousand (9,000) registered alares in the Greek company "Chemical Industries of Northern Greece S.A.", being 15% of the share

REAL ESTATE PROPERTIES (5th-6th Auction): (a) 25,000m² of lead within and 172,000m² outside the territorial limits of the Yalova 14,000m of land in the Ekali (Attien) region outside the "town plan".

REMAINING ASSETS OF THE COMPANY (7th Auction): The remaining sweets of the Company, which are offered for sale as a single whole, inc

OFFERING MEMORANDA — FURTHER INFORMATION: Interested parties way obtain an Offering Memorandum for each of the above men dum for the Kausandra Mines (prepared by Chibank, N.A., financial adviser to the liquidator) and any further information, upon execution of a

#### TERMS AND CONDITIONS OF THE AUCTIONS

The Auctions shall take place in accordance with the provisions of article 46s. of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" ned in the respective Offering Memorands. Such provision and other terms and conditions shall apply brespective of whether they are mentioned herein or not stion of binding offers shall mean acceptance of such provisions and other terms and conditions.

Binding Offers: For the participation in each of the Auctions interested parties are hereby invited to submit binding offers, not later than the 14th December 1992, 12:00 hours , as (1) For each of: Drapetuous Industrial Complex (1st auction), the Stocks in CING SA (4th auction) and the plots of hard (5th-6th au

Gavrieli-Anagnostalaki, address: 18 Fidios str., Athens, tei: +30-1-362-51.91 or 361.97.28; and

(2) For each of: Kassades Mioes (2nd auction) Hermioni Quarties (3nd auction) and the Remaining Assets of the Company (7th auction), to the Athens Notary Public Anna.

Tunfara, address: 10-12, ippocratous str., Athens, tei: +30-1-361.95.83 or 364.31.38. Offers should expressly state the offered price and the detailed terms of payment (in each or in instalme sed annual interest rate).

Action). Letters of Guarannae. Binding offers must be accompanied by letters of guarantee, issued, in accordance with the draft form of letter of guarantee contained in the respective Offering Memoranda, by a bank legally operating in Greece and valid until the adjudication. The amounts of the letters of guarantee must be as follows: (a) for Drapetsona Industrial Complex (lat saction): drs 350,000,000; (b) for Kassandra Bilans (2nd saction): drs. 350,000,000; (c) for Elemitorial Complex (Lat saction): drs. 350,000,000; (d) for the Stocks in CING SA (4th saction); drs. 40,000,000; (e) for each of the piots of land (5th-6th saction): drs. 40,000,000; and (f) for the Remaining Assets of the Company (7th Auction): Drs. 40,000,000. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to paragraph 1 hereof, the letters of guarantee shall be submitted in scaled crevelopes. Submissions shall be made in person or through a duly authorised agent. Submissions: Binding afters together with the letters of guarantee shall be submitted in scaled crevelopes. Submission shall be made in person or through a duly authorised agent. Envelopes containing the binding offers shall be unsealed by the respective Notaries, in their offices, at the addresses mentioned above, on the 14th December 1992, at 13:00 hours. Any party having duly authorised a binding offers shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors), in their absolute discretion, upon suggestion of the liquidator, to be in the best faltern into account, which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded quarterly or yearly.

The liquidator shall give written notice to the highest hidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be derived to take effect upon

Mention is hereby made that special additional terms shall apply in respect of the sale of each of (a) Drapetsona Industrial Complex (1st suction), (b) Kassandra Mines (2nd auction), and (c) Hermioni Quarters (3rd suction), in view of the fact that said production units are in operation and will be so sold and that the current source are subject to daily variation. Such special terms are included in the "Terms and Conditions of Sale" contained in the respective Offering Memoranda for each metion and refer to the consistent. of the bushing offers in relation to the value of the current assets, the transfer of the current assets and a possible arrangement in respect of the variation of the current assets do the period between the evaluation of the offers and the execution of the contract of sale. In respect of the 7th action, mention is also hereby made to those of the items included in the Remaining Assets of the Company, which are used for the operation of the productive usits of the Company (such as office equipment, vehicles, telephone lines ste), shall be delivered to the successful bidder of the 7th accion after the completion of the proceedings of the Company's liquidation.

All costs and expenses of any nature in respect of the participation and the transfer of the assets shall be exclusively borne by the participants and the participants.

10. The liquidator and the Creditors shall have no finbility nor obligation windspower towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or causel any of the Auctions or any decision whatsoever in connection with the proceedings and the making of the Auctions. The liquidator and the notation shall have no liability for my legal or actual deflects of the assets. Submission of binding offers shall not create any right for adjudication nor the porticipenes shall acquire any right, power or claim from that invitation and/or their participation in any of the Auctions against the liquidator and/or the Creditors for any reason

L. This invitation has been drafted in Greek and translated in Singlish. In any event the Greek version shall prevail.

For chtching the Officing Memoranda and for any further information piene apply to:

The hquidater's agence: Memor founds Detric and Andrew Zervas, address: 20, Annilus ave., Adness 105-57, tel: +30-1-322-75.70, faz: +30-1-322-11.03.

In respect of the Kantandra Mines, to the fiquidator's financial advisor: Clahenk, N.A. (Athens Branch), address: 8, Othonos, ATHENS 105-57, tel: +30-1-324.86.56, faz: +30-1-324.32-77 (ann. Vanalla Vadinaria, Vice President).

#### In Rio, major nations agreed to spend billions to control pollution. Guess who's the leader in controls?

A major worldwide effort of unprecedented proportions began at the Earth Summit to preserve the

manufacturing operations. They also help industries meet tighter production specifications.

For instance, Honeywell controls are in 60 million American homes, 40 million homes in Europe, and



world's natural resources. Undoubtedly, it will continue for years, if not decades.

Equally undoubtable, we feel, will be Honeywell's involvement. By being able to provide the kind of technology and services that will be crucial to meeting these tough environmental goals.

For this reason, we believe Honeywell is poised for continued growth through the decade.

You see, today we are in just one business. Controls. Sophisticated ones that perform thousands of tasks that are too fast, precise, dangerous, remote, boring or labour-intensive for people to tackle.

And that, it turns out, also helps customers deal with environmental and pollution problems.

Because Honeywell controls and systems help maximize efficient energy consumption for building and

That helps minimize waste and hazardous by-products - not to mention the demand for resources. Less consumption and less waste

mean less pollution. In fact, our controls are already helping companies meet tougher

environmental standards. We trust that having read this, you

won't be surprised to know we are the global controls leader in homes, buildings, industry and aviation.



millions of buildings around the world. Our avionics equipment is on virtually every aircraft in the western world. And we have the largest installed base of distributed process control systems in the world.

Last year, measured on a comparable basis, sales increased in each of our three businesses. All in a soft global economy. Therein lies another strength of our broad market presence: We have the ability to remain competitive throughout economic cycles.

We believe that's one reason our stock price has gained value every year since 1989. See for yourself on the graph\*

Better yet, write to us for complete information today.

Honeywell Investor Relations, Honeywell Europe, Ave. du Bourget, 3, 1140 Brussels, Belgium. Or give us a call, (322) 728-22-76.

## Honeywell

\* Share prices can fall as well as rise.

Past performance cannot be relied upon as a guide to future performance.

Helping You Control Your World

#### **PEOPLE**

#### Gormly's helping hand at Royal Non-executive

Allan Gormly is no stranger to corporate crises. Only a month after he was appointed chief executive of the troubled Trafalgar House group, he is to be made deputy chairman of Royal Insurance Holdings, the weakest of the big composite insurers, from January 1.

Gormly, 54, has been a non-executive director of Royal for two years, and some observers will see his promotion to deputy chairman as very much the handiwork of Sir John Cuckney, Royal's chairman. Sir John, one of the City's best-connected financiers, first came across Gormly when he was brought in to rescue John Brown, the once-proud flagship of British engineering, in 1983. Gormly, a Scottish accoun-

tant who worked at Rootes before joining John Brown in 1965, was plucked from obscu-

Colin Davies, one of the stock

market's leading brewing ana-

lysts, is quitting Barciays de Zoete Wedd and returning to

Goldman Sachs, Davies, 42

had been strategic planning manager at Whitbread before joining Fielding Newson-Smith

Goldman, which is rated

ninth in this year's Extel rank-ing of brokerage houses'

research, has been looking for

Analysing the froth



them made a good job of turning the company round and in 1986 it was sold to Trafalgar

Although Sir John has been shedding some of his City responsibilities, such as the

Elsewhere, another old Field-

ing hand, Kevin Feeny, 47, is joining Henderson Crosthwalte institutional brokers (HCIB), as

a drinks industry analyst.

Feeny left Warburgs earlier this year to make a bid - ulti-mately unsuccessful - for

some 300 pubs being sold by

one of the national brewers.

to Smith New Court.

spending a lot of his time on trying to restore the fortunes of Royal Insurance, one of the grand old names of the British nsurance industry. Last year it reported a loss and had to cut its dividend. There have been several changes in Royal's senior management tesm and although the group's capi-tal ratios need strengthening, analysts believe its fortunes are on the mend.

Gormly's appointment as deputy chairman is bound to fuel speculation that he could be a future chairman of the Royal. Sir John, who took over the chairmanship from Daniel Meinertzhagen seven years ago, is 67, and his other deputy chairman, Sir Max Williams, a former senior partner of Clif-ford Chance, is of a similar

#### directors Sir Kenneth Alexander, 70.

Chancellor of Aberdeen University, has resigned as director of the Scottish Daily Record and Sunday Mail, following the departure of Vic Horwood, chief executive of the Record and Mail, and Helen Liddell, director of public and corporate affairs for the Scottish arm of MGN. He said: "The means by which their departure from the management team was accomplished convinced me that continued board membership would be inappropriate."

Sir George Russell, chairman of Mariey and of the ITC, at

■ Peter Welch, chairman of ABC Consultants, and former finance director of Foseco Minsep, as deputy chairman, and David Beynon, recently retired chairman of ICI Europ at HOLLIDAY CHEMICAL Saul Levin has retired from FII GROUP.

Nell Hannah, a former regional chief executive of Black Horse Agencies, at DERBYSHIRE BUILDING

SOCIETY. ■ Hens Marcus, formerly chairman, at BONAS MACHINE. Robert Ware, md of Clayform roperties, at DUNTON GROUP.

Lindsay McKinley has resigned from HENRY

BARRETT GROUP. Stanislans Yassukovich. formerly chairman of the Securities Association and of Merrill Lynch Europe and Middle East, at SOUTH WEST WATER.

■ Sir Hugh Byatt as chairman at EFM DRAGON TRUST; Ian Macdonald has retired. ■ Sir Richard Greenbury (below), chairman of Marks and Spencer, at LLOYDS



### Mixed bag for Amey company

Hall & Tawse

**Group Limited** 

CE CIGN AND BUILD

SPECIALIST AGENCS

CONSTRUCTION

Hall & Tawse Group Limited ne Staal, Mackworth, Durby DE224Ni

AMEY CONSTRUCTION has recently received orders worth over £20m. Civil engineering works include £5.7m for British Gas at the North Morecombe gas terminal, £4.5m for a water treatment works for Anglian Water at Wing, Hertfordshire, a £750,000 "design and construct" pumping station at Horley for Thames Water, a £700,000 link road for Associated British Ports at Cardiff and a £1.5m bulk fuel and pipe-line installation at RAF Lossie-

Concrete and asphalt pavement works awarded to the company include £2.5m for BAA at Heathrow, £1.7m of runway resurfacing for Manchester Airport, £800,000 in provision of a £300,000 synthetic sports pitch for Plym-outh college.

#### Offices in Reading CIN Properties, acting on

behalf of British Coal Pension Funds, has appointed LOVELL CONSTRUCTION to work on a £10m project to redevelop Phoenix House, Reading. Standing in a premier loca-

tion at the heart of the Berkshire town, and immediately adjacent to Reading Station, the new Phoenix House will provide 51,000 sq ft of high quality office space on five floors, with 66 car parking spaces. Completion is scheduled for mid 1994.

#### London mail depot MOTT MACDONALD has

been commissioned by Royal Mail Property Holdings (South) to design a new depot at Willesden in London to handle all London's incoming and outgoing mail transported by rail, within a 500km radius of the

FEDERAL CONSTRUCTION, a part of Trafalgar House Construction, has started work, on a £14.5m contract for a new marine science research facil-ity (pictured) in St Petersburg,

Florida. The harbourside build-ing will include technology for receiving, processing and modelling optical data from United States' satellites surveying the

**BUILDING CONTRACTS** 

Marine research in Florida

It will be used by the Univer-sity of South Florida's Marine Research Institute and the Department of Natural Resources' Forida Marine

## £100m Scottish development

Two housebuilders have been selected to participate in the £100m investment programme at Craigmarloch Village in Cumbernauld, 16 miles north

The successful housebuilders. OGILVIE HOMES and PERSIMMON HOMES, were selected following a design/fi-

value of £20m. Craigmarloch will create a village for 2,500 residents within Cumbernauld, inspired by traditional Scottish villages. Features of of the new commu-

nancial offer competition and main street and the creation of they will build a total of 216 a number of separate inter-Persimmon Homes has been

awarded a £15.5m contract at Craigmorlock Village to build 171 homes, many with views over the Campsie Hills. The

which are the UK subsidiaries of AGA AB of Sweden and Messer Griesheim Gmbh besed

The construction contract for

infrastructure, drainage, foun-dations and buildings was

awarded to Clugston by Linde AG of Germany, the turnkey

The plant will produce nitro-

in Germany.

### Air separation plant in Yorkshire

when the plant is operational

The 10-year agreement with National Power is believed to

be the first of its kind and has

been made possible by the pri-vatisation of the UK electricity

CLUGSTON CONSTRUCTION reducing capital and running costs. AGP will create 35 jobs has begun work on a contract to build a £20m air separation plant for Air Gas Production (AGP) at Eggborough power station in North Yorkshire.

The plant, which has a 10 megawatt electrical load, is to be built on land adjacent to National Power's Eggborough power station so that it can have a direct electrical supply, avoiding the use of the local

It is also the first air separa-

at the end of 1993.

tion plant to be built by AGP, a joint venture between AGA Gas UK and Distillers MG,

#### **Developing hospital facilities in Essex**

Contracts have been signed for a construction scheme at the new Colchester Oaks Hospital in Essex, a £5m design and build project for the independent health care sector, which will provide 50 acute care beds. PEARCE CONSTRUCTION has been awarded a contract Community Hospitals

Group, who are developing the Tall Trees site in Colchester.

The facility will replace the hospital in Oaks Drive. CHG is currently enquiring into the feasibility of converting the Oaks Drive facility into a nursing home which it would operate once the business transfers at the end of 1991.

Pearce Construction has been involved in the development from the beginning, pro-viding initial conceptual

gen, oxygen and argon from atmospheric air for industrial designs and architectural detailing.

A two-storey construction,

which centres around a court-yard, it will feature three ultra-clean operating theatres, a separate consulting wing and an isolated plant room to house the hospital's complex service also required to cater for a

#### Feeny (right) had joined the UK merchant bank as a brewson. He had latterly been a director in the investor relaa brewing analyst for a year since John Beaumont left to go team, led by John Spicer, Change of gear at Fiat in UK

Enter James Blades on December 1 as the next manag-ing director of Fiat Auto (UK) — and with him a new management approach by the Italian industrial giant to its single most problematical car market in Europe.

Blades, 44, comes from senior

sales and marketing positions within Rover Group. He is also a dyed-in-the-wool Brit. Both factors, in Fiat's eyes, make him an ideal candidate to suc-ceed current md Mario Maz-sara, who will return to Turin HQ at the end of the month.

Massara, effectively, represents the last gasp of Fiat's long-standing "touring" stalian management approach to the perversities of the UK market, where Fiat has seen its market share dwindle from around 5 per cent in its late-1970s hey-



days to 2 per cent this year. Fiat has never quite been able to understand why its market appeal has been fading in recent years. Sq it is now working on the besis that the British market is perhaps best understood by a British md, backed by other directors, also

Blades, (left), who left Ford to join Rover back in 1976 when it was still British Leyland, is seen as a particularly appropriate appointment. This is because he has been an integral part of Rover's own transi-tion in image from automotive lame duck to relatively "pres-tige" marque. Fiat will be morethan happy if Blades can lead a similar image transformation at Slough-headquartered Flat

arrived from Kleinwort Ben

His appointment, however, also needs to be seen in a wider context. Fiat, Italy's larg-est industrial group, has increasingly grown into a global operation. Even if it wanted an Italian at the head of each national activity, there is no longer enough Turin management to go around.



Can you paint a car with 90% water and still get a better finish?

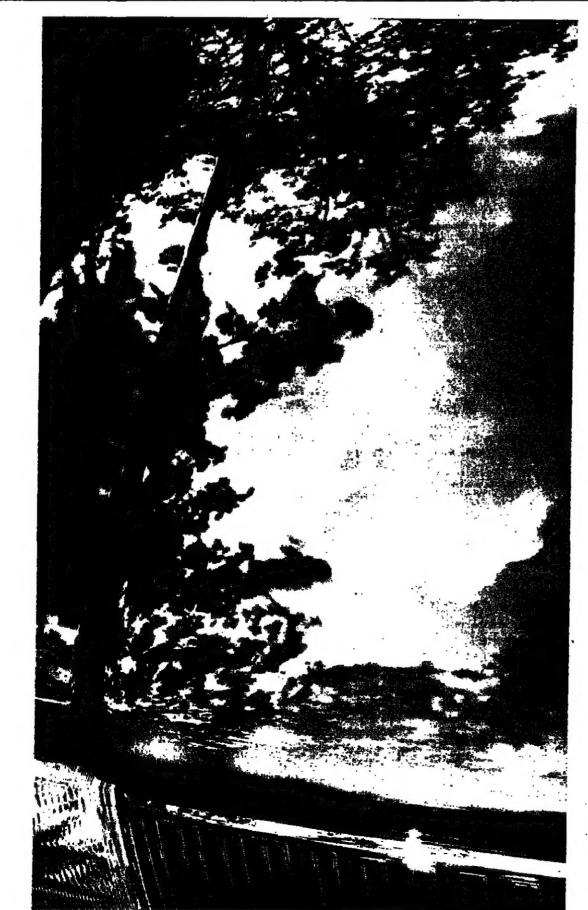
Automobiles have an environmental effect long before they take to the road. Solvents used in spraying on a high quality, durable paint finish can contaminate the air.

That's why the engineers of a renowned worldwide car

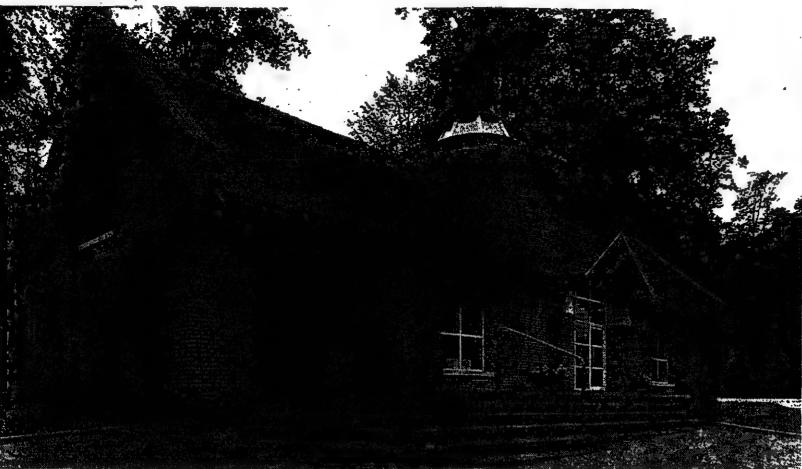
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solvent - in close partnership with our customers.



Yes, you can.



Vernacular Kentish architecture: the simple and elegant visitors' control at Chartwell

Architecture/Colin Amery

# Vision in a visitors' building

Summerson leaves a colossal gap in the world of architectural history and writing. For me and many others in the arcane world of architectural criticism, he was both mentor and model. He was simply the very best writer in English on archi-

But he was more than a writer because for many years, as curator of the Sir John Scane Museum, he pro-tected and nurtured both the atmosphere of the museum and the thinking of England's most original neo-classical architect. One felt, on seeing Sir John Summerson in his silent and empty office on the top floor of the museum, that you might almost have visited

Summerson was 87 when he died, having suffered from Parkinson's disease for some years. He will be remembered for his major writings. The Classi-cal Language of Architecture explains in the most lucid way how the elements of classical order began and how they can be used and interpreted. This slim book-began life as a series of Third Programme talks and perhaps it was the discipline of using just words to make architecture visible that gives this book such power.

All lovers of London will know his boundaries of architectural history by looking beyond architectural style to about the values they represented in able architectural presence.

His volume on the history of English architecture in the Pelican History of Art series remains a bible, but the book I re-read most often is the volume of essays, Hewenly Mansions. Here he writes about architectural ideas from Soane to Le Corbusier in ways that are positively exciting. I felt that Sir John condensed many of the ideas from this book into one of his best essays when he wrote about the design for the unbuilt Liverpool Cathedral by Sir Edwin Lutyens for the catalogue of the Lutyens Exhibition at the Hayward Gallery a few years ago. He was so skilled a writer and interpreter of architectural thinking that the whole cathedral now

been built This year has seen the loss of three great architectural Englishmen: Sir James Richards, John Piper and Sir John Summerson. They all influenced my generation and demonstrated that architecture can, above all the arts, bring intellectual and visual satisfaction. They were all marvellous mentors - but it was always the few well chosen words by Summerson that gave any architectural debate its cutting edge. His pellucid prose is his finest monu-

lives in those pages as though it had

guished men always prompts thoughts

English life. There is a distinctive English vision in the work of the three men who have died so recently. Pondering on that vision, I felt that one of the bodies in England t which does so much to sustain it, and is relatively unsung. is the National Trust. I visited Chartwell last week - where Churchill contemplated the Kentish Weald and English values - to see one of the

Trust's new visitors' buildings. The National Trust takes enormous care over all its buildings, and that includes the relatively minor additions, shops, restaurants, kiosks and car parks. At Chartwell, the new shop is designed by a local Sevenosks architect, Richard Reid. The Trust is prepared to be quite adventurous, and believes that it should patronise the best contempo-

rary architects. Mr Reid has given the Trust a simple and elegant modern building from which to sell its wares. It is a cross between a barn and an oast - the tall titled roof culminates in a curved oast funnel that lets a shower of top light into the centre of the shop. From a distance the new building groups well with the (much less satisfactorily designed) restaurant.

There are oasts on the skyline in this part of Kent and so the new roof looks at home. The Flemish bonded brickcould be a mundane shop a considerI liked the open arcades at each

The roof of the shop is tall and steep and filled by a web of openwork timber trusses. There is a rewarding sense of high light that elevates the whole shop. There are fine views from well placed large windows - a bonus for staff working indoors all day. The quality of the shop furnishings is high. National Trust shops have sometimes been criticised for the cosiness of the goods they sell, but that is another story.

The Trust's commitment to good new architecture is borne out by Richard Reid's pleasing interpretation of vernac ular Kentish architecture at Chartwell, and I am looking forward to reviewing the much larger new visitors' centre at Fountains Abbey in Yorkshire which has recently opened, designed by Edward Cullinan for the National Trust, Callinan has just won the competition for the new visitors' centre at Stonehenge in a competition organised by English Heritage. It will be largely underground.
In these recessionary times I suppose

it is inevitable that there should be an enhanced appreciation of small buildings. It was John Summerson who pointed out the crucial importance of the aedicule. He would have appreciate the aedicule. He would have appreciate the aedicule. He would have appreciate the aedicule of the sedicule of the west attraction between Jane Eyre attraction between Jane Eyre discretion forbids me to say Georgian London; it expanded the The deaths of prominent and distin- work and warm clay tiles lend what ated the care that the National Trust is taking to make its smallest new buildings of the highest quality.

end and the loftiness of the

This is the imagery of a tense, dynamic Dream. Sex means sex - from the first shiver of eroticism when Amazon Hippolyta is divested of her Kate Adie commando jacket into a svelte bridal num-ber and Theseus gasps with desire. Violence is violence -Demetrius kicks Helena around like a dog ("Use me but as your spaniel, spurn me, strike me") in a sado-masochis-

with a kernel of pure lyricism.
The mood recalls the magic light-heartedness of Peter Brook's famous 1970 Dream troupe brilliantly. Brittle wills and spirits clash with just controlled energy, each touch or glance is acutely timed, the slapstick of the mechanicals, wryly dignified in their incomreworked through 1990s images and sounds. A huge yellow moon is suspended above a petence, is a masterstroke of shiny red floor and reflecting

outline is never lost.

red panels. Mortals come in white cotton dresses and suits, fairies disco-dance in black T-shirts and leggings, Oberon and Puck are bikers in crinkly leather with metal-studded bracelets and striped head-

powerfully sustained dramatic vision, so that the whole is greater than the sum of parts black and white costumes Glass's haunting crescendos -

all of which alone enchant.

tivity and exhilaration.

precision. Ciulei's genius is to place human detail within a surreal setting, minimalist

Sought after troupe

tic dance ending with a flick of

knives. Lysander reacts so to

the love potion that he sleepwalk-assanlts Puck, who limps

Movement, gesture, looks of menace or desperation, camp little kicks of Bottom's fat legs,

for example, are the more immediately effective as we do

not understand the language.

Desire governs character in this tenderly defined render-

ing. Puck is a podgy tomboy

girl who giggles fearfully at sex. Demetrius is a narclasist in love with power, Lysander is

older, troubled, urgent. The

detail is a joyous affirmation of

the individual, yet the bold

Ciulei co-ordinates his star

off with a broken ankle.

banned because so many direc-

tors defected to the west; now

Bucharest's Bulandra Theatre is among the most sought after troupes in the world. Shake-

speare is its special strength.

and after a realpolitik Hamlet

in London two seasons back, we now have a *Midsummer* 

Night's Dream, which I caught

at the European Theatre Festival, whose Bulandra hallmarks

up-to-date reanimation place it

among the best Shakespeare

productions anywhere in

Forget politics or Transyl-

vanian fairy tales. This is a raw, sexy, intoxicating show

bands. The shimmering, hyp-

notic repetitions of Philip

Glass's music echo the rhyth-

the moon on a translucent

glass bed from where she

writhes with desire for the

earth-bound Bottom in his

asses head. Helena, a dreamy

blonde bimbo who at once

hugs and fights her rival, the spiky-haired, dark, woman-of-

action Hermia. Titania and Oberon argue across an empty

dinner table stretching from

opposite ends of the stage.

mic pattern of the setting. What gives Liviu Ciulei's staging its effervescent sensuality is a series of rapid vignettes based on conflict and polarity. Titania floats up to

recent years.

originality, frenzy and

This production. Heiner Muller's Mouser, and the fabulous ensemble playing of Buda-pest's Katona Josef Theatre in Platonov, assure triumph for Giorgio Strehler's first European Theatre Festival in Dusseldorf and his bold choice of eastern companies - five of the ten participants were once behind the Iron Curtain.

A quick rave. Platonov, the early Chekhov tragi-comedy about a village school-teacher, seen at the National Theatre in 1984 as Wild Honey, is here set by veteran Chekhovian Tamas Ascher in a sumptuously light. creamy world of wooden villas, rattan furniture and white suits and directed at a galloping, hysterical pace. It stays just within Chekhov's mix of irony, melodrama and elegy and shows extraordinary sensi-

> Jackie Wullschlager

The European Theatre Festival, to November 27, Dussaldorf Schauspiel-haus. 0211 36 87 136. A Midsummer Night's Dream continues at Teatrnl Lucia Sturdza Bulandra, Bucbarest; Platonov at Katona Josef Theatre, Budapest.



## Hawks and Doves

has become one of our best known younger playwrights. She is author of Salonika, Golden Girls, Real Estate and more; last year, her Adam Was a Gardener premiered at Chichester. Her work has been performed in 21 countries and t is usually intelligent, sensitive, touching, adult and absorbing.

Last year's Adam Was a Gardener was subtitled "an evocative love affair between the past and present"; Hawks and Doves, her new play now at Southampton's Nuffield Theatra, is subtitled "a love story for the '90s." In both plays, love commences between a man and woman from different backgrounds, a love based on shared values, not least on affection for the English countryside. But here the love is between an upper-class Southerner and a lower-class Northerner; and it goes wrong. So, unfortunately, does the

play. It begins promisingly,

and Rochester. But it becomes increasingly like a North/ South adaptation of Howard's End - a too-simple-by-half depiction of heartless toffs (ie. hawks) exploiting honest working or unemployed folk (ie. doves) and a skeleton-in-the-cupboard melodrama to boot. The toffs breed peregrine falcons, one of the working-class Northerners fancies pigeons.

Both classes admire open countryside, wild birds and Mozart. These shared sympathies are enough to get Otto out of his upper-class marriage to Julia and into a new one with working-class Marie but that isn't far enough. When it comes to croquet, Julia and Otto insist "You can only learn the rules as you go along," as they win. Marie, refusing to play any more, replies "Some people are born knowing them."

Well, croquet is enough to wreck any marriage, but worse is the fact that Otto is hiding

more. Suffice it to say that Marie finds out, and the play ends - fatuously - on her reaction (vengeful) and his (terrified).

Gillian Bevan, playing Marie, has a charming housewife-Cinderella manner, but also has an unbecoming hairdo and too many dropped syllables. Michael Simkins carries off Otto's mixture of wimpish sensitivity and lordly authority well, but he can't stop the final moment of terror from seeming risible. But everybody is wrestling with a poorly-paced script and

weak direction. Remarkably, only young Alex Scott, as Marie's son Paul, creates a fully three-dimensional character. He is as first-rate as he was last year in Adam Was a Gardener. spontaneous and vivid.

Alastair Macaulay

Nuffield Theatre, Southampton

and Nielsen must sit at the very centre of any celebration of the music of Scandinavia and Finland. The Barbican's Tender is the North" festival naturally has cycles of both; on Thursday this week Colin Davis will set out on his Sibelius pilgrimage with the LSO, while Simon Rattle and the City of Birmingham Symphony are currently offering the Nielsen canon in three weekly pro-

The symphonies of Sibelius

In Friday's concert Rattle conducted the Second and Fourth Symphonies, separated by an account of Mahler's Kindertotenlieder with Olaf Baer as soloist that was an unfortunate distraction; his voice sounded so distressingly threadbare and out of condition it cast a pall over the performance. Rattle's

Concerts/Andrew Clements A Nielsen experience

virtues in Nielsen, though, are joyously straightforward and correct. He takes no liberties. never attempts to lard Nielsen's melodic lines with extra expressiveness, and drives the music from start to finish with unflagging energy and pin-point architectural logic, relying upon the CBSO deliver it

with maximum vividness. Just why Rattle's Nielsen seems so convincing was partly explained in a television documentary on BBC2 on Saturday. The conductor wrote and introduced Carl Nielsen: A Life in Str. Symphonies, guiding viewers with great lucidity through each of the works with the help of Robert Simpson, most faithful of Nielsen's advocates, a smattering of archive film, and extracts from the symphonies performed by the CBSO. The programme ended with a magnificent account of the Third, Sinfonia espansiva.

Along the way there were fascinating points that one longed to be amplified - Rattle's description of the Fifth Symphony as the greatest work to come out of the experience of the First World War. and the Sixth as a response to

the modernism of Stravinsky and Schoenberg; most challenging of all, perhaps, Simp-son's admiration for Nielsen as the sanest of 20th-century com-

posers. Certainly there is a triumph of tonality in these symphonies, a close kinship with and extension of the tradition of 19th-century romanticism. As Rattle's performance of the Second on Friday made plain, there is a great deal of Brahms and Dvorak in its make up, just as the fluxle of the Fourth seems Nielsen's nearest approach to his exact contem-

of tonality is regarded as a symptom of neurosis, then ergo Nielsen becomes a model of mental stability. But if musical psycho-history is not as straightforward as that, then his music is harder to place, and more intriguing, the auto-biographical relationship between his life and his symphonies becomes central and unresolved. These are great symphonies, the Third, Fourth and Fifth especially, and like all such products of a postsymphonic age especially trou-bling and teasing.

porary Sibelius. If abandoning

City of Birmingham Symphony Orchestra: Barbican Hall; final concert 28 Novem-

"Carl Nielsen: A Life in Six Symphonies": BBC2 television.

# INTERNATIONAL

#### BERLIN

CONCERTS Tomorrow evening at the Philharmonie Kammermusiksaal, Nash Ensemble plays works by Messiaen, Beethoven and Ravel (2548 8232). At Schauspielhaus, Zagreb Radio Symphony Orchestra plays works by Beethoven and Schubert on Wed. Michel Plasson conducts Berlin Radio Orchestra in works by Faure, Schumann and Musorgaky on Fri and Jörg-Peter Weigle conducts Berlin Symphony Orchestra in works by Weber, Hornig and Beethoven on Sat and next Mon. Christian Tetzlaff gives a recital of Seethoven violin sonatas on Sun (2090 2156) JazzFest Berlin runs from Thurs to Sun at the Philharmonie with Milt Jackson, David Friedman, Mose Allison and others. Lionel Hampton heads

the bill on Set (254890)

Deutsche Oper Tomorrow and

Fri: La forza del destino. Wed:

Die lustigen Weiber von Windsor.

Thurs: Die Zauberflöte. Sat Peter

OPERA/DANCE

Schaufuss' production of La Sylphide. Sun: Hansel and Gretel Dec 2: Marilyn Horne song recital (3410 249) taatsoper unter den Linden

Reiner Goldberg sings title role in Tannhäuser on Thurs and Sun. Fri: Die Zauberflöte. Sat II barbiere di Siviglia. Dec 5; Daniel Barenboim conducts new production of Busoni's Die Brautwahi (2004 762) Komische Oper Tonight's performance is Prokofiev's ballet Romeo and Juliet. Tomorrow:

Cosi fan tutte. Wed: La bohème. Thurs: Giustino with Jochen Kowalski. Fri: Die schweigsame Frau. Sat: Swan Lake. Sun: Rienzi (2292 555) THEATRE A new production of Maxim

Gorki's Vassa Shelesnova opens at Maxim Gorki Theater on Wed (208 2783), Bremen Shakespeare Company is in residence at Freie Volksbühne till Dec 6 with a wide repertory of plays by Shakespeare and others (881 3742). The Schaubühne has a new production of Jacob Lenz's play Catherina von Siena at the Probebuhne, Cuvrystrasse, and Botho Strauss' Schlusschor,

directed by Luc Bondy at the

#### BUDAPEST

main theatre (890023)

 The State Opera reportory includes Bellini's I Capuleti e Montecchi (tomorrow), Adriana Lecouvreur (Wed) and Meisteringer (Thurs and Sun). The Erkel Theatre has Die Zauberflöte, Madama Butterfly and Hansel and Gretel (Central

Theatre Booking Office, Andrassy ut 16)

Cancerto Harmonico gives

a Bach recital tonight at Pest Concert Hall. Tomorrow and Thurs at Academy of Music: Berlioz programme with Hungarian State Chorus and Symphony Orchestra, Wed: Brenton Langbein conducts a Byron/Schumann programme. Next Mon: song recital by Denes Gulyas (National Philharmonia Booking Office, Vorosmarty

#### **EGENEVA**

CONCERTS/OPERA Friedemann Layer conducts Orchestre de la Suisse Romande tonight and Wed in Victoria Hall. with music by BA Zimmermann and Beethoven (311 2511). The final performances of Die Frau ohne Schatten at the Grand Théâire are tomorrow and Frl. Horst Stein conducts a cast including Wolfgang Schoene, Thomas Moser and Deborah Polaski (311 2311) THEATRE

Geneva has two Russian companies in residence this week. The Comédie has Musical Theatre of Moscow in a musical adaptation of Mayakovsky's The Bedbug, daily from tomorrow till Sat (320 5001). Theatre de Carouge has an Ovstrovsky production by Gorki-Tovstonogov Theatre of St Petersburg, daily from tomorrow till Sun (343 4343)

MILAN Teatro alla Scala 20.00 Dmitri Hvorostovsky song recital. Dec 7: 1992-3 opera season opens with Franco Zeffirelli's new production of Don Carlo, starring Luciano Pavarotti (7200 3744)

#### ■ NEW YORK DANCE/OPERA

State Theater New York City Ballet's annual presentation of the Balanchine production of The Nutcracker opens on Fri. The production runs till Jan 3, with extra matinee performances at weekends (870 5570), Dec 1-13 at Joyce Theater: Ballet Hispanico (242 0800). Dec 9-Jan 3 at City Center: Alvin Alley American Dance Theater (581-1212)

Metropolitan Opera Tonight's performance is La bohème, with Gabriela Benackova, Nancy Gustafson and Luis Lima (also Fri). Tomorrow and Sat afternoon: Lucia di Lammermoor with June Anderson, Wed and Sat evening: L'elisir d'amore with Kathleen Battle and Francisco Araiza (362

Brooklyn Academy of Music There is a final performance tonight of the Philip Glass/Robert Wilson music theatre piece Einstein on the Beach (718-636 4100)

CONCERTS Avery Fisher Hall Kurt Masur conducts the next two weeks of New York Philharmonic concerts. This week's programme (Wed, Fri, Sat, next Tues) includes Beethoven's Fourth Symphony and Tchaikovsky's Second Piano Concerto (Elisabeth Leonskaja). Dec 6: Rostropovich conducts

National Symphony Orchestra. Dec 7: NYPO 150th anniversary concert (875 5030) Camegie Hali Vladimir Ashkenazy conducts tonight's

concert by Royal Philharmonic Orchestra: Bax's Tintagel, Barber's First Symphony and Shostakovich's Tenth. Sun: John Rutter conducts New England Symphonic Ensemble in Rutter's Requiem and Magnificat (247 7800)

Blue Note Tonight Akira Tana and Rufus Reid. Tomorrow till Sun: Stanley Jordan Trio. showtimes at 21.00 and 23.30. Next week: Yellowjackets. Dec 8-13: Chaka Khan. Dec 29-Jan 3: Chick Corea (131 West 3rd St, 475 8592)

Ballroom Brazilian singer-songwriter Gilberto Gil is in the middle of a run, Tues to Sat at 21.00 and 23.00 (253 West 28th St, 244 3005) Michael's Pub Vernel Bagneris, with pianist Gunnar Larsen, In a tribute to Jelly Roll Morton. Tues to Sat at 21.15 and 23.15 (211 East 55th St, 758 2272)

#### ■ VIENNA OPERA

Staatsoper Tonight's performance is Katya Kabanova. Tomorrow: La fille mai gardée. Thurs: La bohème with Cecilia Gasdia and Keith Ikala-Purdy. Fri: Die Zauberflöte. Sat: Maria Stuarda with Katla Ricciarelli and Alicia Naté. Sun: Garmen. Next Mon: Nutcracker (51444 2960) Volksoper Tonight's performance is Lady Macbeth of Misensk

(repeated on Sat). The repertory also includes Lehár's Graf von Luxemburg and Das Land des Lächeins, Kalman's Grafin Mariza and Die Csardasfürstin and Don Giovanni (51444 3318) CONCERTS

Musikverein Isaac Karabtchevsky conducts the Tonkunstler Orchestra In tonight's concert of music by Bruckner. Tomorrow: Vienna Schubert Trio plays plano trios by Shostakovich, Swarzenka and Pfitzner. Wed and Sat: song recital by John Shirley-Quirk. Fri: Beaux Arts Trio, Sat and Sun: Georges Prêtre conducts Brahms' German Requiem, with Barbara Bonney and Boje Skovhus (505 B130) Konzerthaus Wien Modern.

focussing this year on music by Dallapiccola, Xenakis, Henze and Schwertsik, winds up this week with performances by Orlando Quartet tonight, Ensemble Modern on Wed and Austrian Radio Symphony Orchestra on Fri. Other events include an orchestral programme tomorrow conducted by Sandor Vegh, with works by Mendelssohn, Schubert and Haydn. Dec 2: Ceclia Bartoll. Dec 11: Melvyn Tan (712 1211) THEATRE

The Burgtheater repertory includes a new production of Goldoni's The Impresario of Smyrna, directed by Claus Peymann. The next new production is Kieist's Des Käthchen von Heilbronn, directed by Hans Neuenfels, opening on Dec 12. Chekhov's Uncle Vanya opens at the Akademietheater on Dec 18 (51444 2218)

European Cable and Satellite Business TV

(all times CET)

HICHDAY TO FRIDAY

ness Today - a joint FT/CNN pro-duction with Grant Perry and Colin

Super Channel
1700-0710, 1230-1240, 2230-2240 FT
Business Daily
7710-0730, 1240-1300 (Mon, Thurs)
FT Susiness Weekly — global
business report with James Bellini
0710-0730, 1240-1300 (Wed) FT
Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europa Report
2240-2248 FT Report

Sky News 2030-2100, 2230-2300 FT Busin Weekly

BATURDAY

0900-0930, 1900-1930 World Buer-nass This Week — a joint FT/CNN

\$ky News 1130-1200, 1730-1800 FT Media

SUMBAY

1030-1100, 1800-1830 World Busi

*Sky Henn* 9130-0200, 0530-0600 FT Media Europe 1330-1400, 2030-2100 FT Bus

#### FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday November 23 1992

# Last push for Gatt

EUROPEAN COMMUNITY and US farm trade negotiators, not to mention their leaders, deserve credit for last week's agreement on farm trade. After six years, the most controversial single topic in the Uruguay Round has almost been settled. Much needs to be done, not only in farming, but still more in other areas of the negotiation. Yet the agreement on farm trade shows that where there is a will, a way can also be found. The remaining obstacles should yield

to comparable determination.
US and EC negotiators will now need the support of the so-called Cairns Group of agricultural exporters. This they should obtain. Agricultural exporters may not see this agreement as a giant step for farm policy, but it is a huge one for the trading system. After 45 years of failure, farm subsidies are at last subject to internationally agreed limits.

Pressure will now fall on Japan and, to a lesser extent, South Korea. These hugely successful exporters of manufactures will point to the central place in their culture played by the cultivation of rice. Negotiators who have given short shrift to the sensibilities of la France rurale must ignore this special pleading.

Completion of the farm package is almost the least of the prob-lems. Less than two months remains if these negotiations are to be completed by January 20, when the American side leaves office. Little more than another month would remain before the package must be notified to Congress under the administration's "fast track" authority.

#### Acceptable package

It is important that nobody questions the "draft final act" put forward by Mr Arthur Dunkel, Gatt director general, a year ago. The US should, for example, avoid reopening protection of intellectual property. What would then be left is market access in goods and services, the core of trade liberal-isation. Complex bilateral negotiations have to be completed. But the chances are good that a one third cut in tariffs, plus significant liberalisation of services - both, for the first time, on a global basis can be achieved.

The question now is not so

whether a politically acceptable

package can be agreed. In the first place, an enfeebled Japanese government might fall to agree to the required liberalisation of the market for rice. The question, however, is not whether the Japanese establishment wants to refuse, but whether it will dare to

In the second place, the job of selling any package to Congress will fail to Bill Clinton. But he will almost certainly be able to do so if he wants and, in all likelihood, he will want to. If the worst came to the worst, Mr Clinton would probably be able to obtain an extension to the "fast track" authority

#### EC agreement

In the third place, the EC might fail to agree to the package at all. In particular, France might decide that farm liberalisation should be vetoed under the "Luxembourg compromise". The constitutional status of that veto is uncertain. Yet without it, the deal will be subject to qualified majority voting. France would lose, unless it were to gain German support, which seems most unlikely.

Nobody can be unaware of the difficulties the French government faces. Nevertheless, it must know that this deal will demand few, if any, changes beyond those already agreed in reforming the common agricultural policy.
Attempting a veto would also be against the interests of Prance. Economically, excessive subsidies to agriculture are as costly to France as to most other EC coun-tries. Politically, veto of an agree-ment wanted by the majority of its partners, would deal the EC a blow from which it might not recover. Ratification of the Maas-tricht treaty by the UK might be impossible. If the principle of qualified majority voting were flouted in traditional areas of EC responsibility, Mr Mitterrand's European policy would be in tatters. Europe

With the end of the Uruguay Round at last in sight, success is desperately needed. This is not because the round will go near to solving all the problems of the figures of \$200bn for the increase in world trade are more than edureach the end of their negotiation. world with a functioning trading They can, at the price of giving up their holidays over Christmas and future to billions of people. What New Year. The question is rather is needed now is a last big push.

worth a farm deal.

#### A new policy for housing rented sector has continued to

THE PROVISION of £750m in the Autumn Statement for housing associations to buy up 20,000 empty homes is good news for the homeless families who will move into them. But the measure is unlikely to be enough to resusci-tate the UK housing market which has 200,000 empty homes unsold. It is certainly not evident that house prices have yet stopped falling, a pre-requisite for a successful market-clearing operation.

However, the nationalisation of 20,000 homes exposes an absurdity at the heart of the government's housing policy. On the one hand, the chancellor provides funds to increase the supply of rented housing by buying in homes (many of which have been repossessed because their former owners could not afford the cost of home ownership.

On the other, the government is continuing to do all that it can to increase still further the level of owner-occupation. Local authorities are being encouraged to sell more of their housing stock into owner-occupation, so that they can spend the recorpts on capital projects. To make it even easier to sell council homes, the government is promoting rent-tomortgage schemes which allow tenants to become part-owners of their homes if they cannot afford numer-occumution.

#### Mortgage arrears

Boosting home ownership while spending money to buy the homes of people who have failed to make a go of owner-occupation is not a rational housing policy. The level of home ownership in the UK - at 57 per cent of housing - is already higher than in most other advanced economics. The downside of this has become evident with the collapse in house prices. Over 200,000 homes have been repossessed in the last three years. More than 300,000 home-owners temain over six months in arrears with their mortgage payments. And there are 1.2m owners frapped in homes worth less than their mortgages. The growth in home ownership has been at the cost of an alarming rise in housing insecurity.

At the same time, the privately

decline. At 7.5 per cent of homes private renting has sunk far below levels in most other advanced cconomies. That leaves most people with a stark choice between owner-occupation and the serfdom of council housing, often badly managed, in poor condition and rationed by queueing. It is hardly surprising that, faced with this choice, so many have become

#### Greater balance

The government needs a new policy for housing that would create a more balanced market and offer real choices in tenure. Cen-tral to this would be to deal with the tax breaks which make owneroccupation so attractive, princinally mortcage interest tax relies and the exemption from capital gains tax for homeowners. These tax subsidies for owner-occupation make it all but impossible for the private sector to charge rents which would give a reasonable return on capital.

Getting rid of mortgage interes tax relief would be politically acceptable only if it was phased out when interest rates were falling, so that - in the short term, at least - no-one had to pay higher mortgage payments than before. Sadly the opportunity to begin that process has been lost as interest rates have more than halved in the last two years; but further falls in rates should begin

the phasing-out process. Rather than eliminating the exemption on capital gains tax for homeowners, it would be simpler to extend the same treatment to the private rented sector. Other changes to the taxation of rent including greater scope for claiming allowances and setting off business losses against rental income - might also be necessary

to revive the private landlord. Spending £750m on such incentives for private renting might not ediately rehouse 20,000 home less families. But by addressing the fiscal imbalance in favour of owner-occupation, it would be a step towards improving housing choice, the absence of which is a leading cause of the present hous-

ree trade, one of the greatest blessings which a government can confer on a people, is in almost every country unpopu-lar." wrote Thomas Babington

Macaulay in 1824. The US and EC negotiators who on Friday settled a long-standing dispute over EC subsidies to oilseed farmers, and made a potentially historic breakthrough on their twoyear dispute over reform of Europe's farm subsidies regime, may find comfort in Macaulay's words as they read of French farmers rampaging across their countryside in defence of subsidies that have distorted the agriculture sector for decades.

Friday's compromises, which defused an imminent and possibly ruinous trade war, have also paved the way for resumption of longstalled multinational negotiations aimed at ambitious and unprecedented reform of international

This so-called Uruguay Round ms for the first time not just to liberalise farm trade; it would reform the quota-blighted trade in textiles and garments; open markets up to trade in services, impose rules protecting patents and copy-right; cut tariffs across the world by st 30 per cent; and strengthen rules for settling international trade

"The real victory is for interna-tional trade," said Mr Ray Mac-Sharry, the EC's agriculture commissioner, who - along with Mr Edward Madigan, his US counterpart - played a pivotal role in settling the long-standing farm trade dispute. But neither he, nor any of the other trade negotiators involved in Friday's breakthrough, is so disingenuous as to believe all will now be plain sailing.

The first and most severe problem facing trade negotiators is one of time. The Uruguay Round, launched in the coastal resort of Punta del Este six years ago, should have been completed two years ago. Deadlock on reform of farm trade has blocked progress in all of the other areas since the end of 1990. But the package must be complete before March I next year, when the US administration's "fast track" authority expires. Uruguay Round negotiators know they must have the package complete by March 1 or face the danger of it being torn apart by the US Congress.

Settling the many outstanding Uruguay Round issues "will be a day and night exercise." Mr Arthur Dunkel director general of the Gen-eral Agreement on Tariffs and Trade (Gatt), the trade watchdog that has the task of negotiating agreement between the 108 countries participating in the round.

"The first decision we have to make is the decision to conclude the round," says Mr Dunkel: "If we have this decision, then one way or another, we can be sure the work will be done." A focal point for final agreement is Mr Dunkel's "final act", an inch-thick draft settlement which he published in December last year in a bid to forge a break-through. Much of the detail of an agreement is already documented in the "final act", and Mr Dunkel will be fighting hard to ensure speedy progress by limiting changes to the ninkmum possible.
The first task of negotiators gath-

ered back in Geneva will be to win wide international backing for the US-EC farm trade deal, Particularly important here will be the Cairns Group of farm exporting nations, which includes countries such as Australia, Canada, Argentina and New Zealand. It was the walkout

The EC and US have compromised on farm trade, but the Uruguay Round is a long way from completion, writes **David Dodwell** 

# Now the tough talks can begin

led by Argentina in Brussels two years ago over the inadequacy of Europe's proposals for reform of farm trade which almost scuppered the Round. All of these countries have made it clear that they will not open their markets in areas such as services unless farm trade

The US, with the backing of other farm exporters, was initially press-ing for the elimination of the EC's farm subsidy regime. This was probably never the real US objective, but it raised expectations. Gart officials are optimistic that the more modest cuts agreed on Friday, which range from a 36 per cent cut in the value of subsidised farm exports over six years to a 21 per cent cut in volume, will be enough. The reforms are unlikely to provide significant new export opportunities into Europe, but will be valuable if world food prices rise following a decline in the volume of EC food surpluses dumped onto world mar-

The next task in Geneva will be to press countries to open their markets to trade in services. This already accounts for at least 19 per cent of world trade - about \$810bn in 1990 - and is forecast to be a booming area in the decades ahead. The US and the BC have jointly called for "maximum liberalisation and minimum exemptions", but a number of areas remain fiercely

• Financial services - which embrace banking, securities, and insurance - are especially impor-tant to countries such as the US, France, the UK and Germany. In Brussels a month ago, US and EC trade negotiators agreed a common position, and plan joint action to cudgel compromise from key countries including Japan, Korea and the five Asean nations of Singapore, Indonesia, Malaysia, the Philippines and Thailand — all of whom have made "woefully inadequate" market-opening offers so far, according to US officials.

 Telecommunications: the world's 12 main telecoms markets - including the US, the EC, Japan, Canada and Australia - are understood to be close to agreeing an "extended negotiation" which will last for two years, leading to rules for opening up basic telecommunications to international competition.

 Audio-visual services – that is. films, videos and television programmes - is particularly impor-tant to the US, and particularly contentious in Europe. Films and TV programmes were the US's second most important export to the EC last year, according to US trade officials. The EC's \$30bn market in these services accounts for almost a third of total world trade, and would be even more lucrative if it were liberalised. At present, France insists that 60 per cent of any prime-time television programming The architects of accord...



Ray MacSharry agriculture \*\* Change In US

should be of BC origin. Other member states want between 40 and 50 per cent. There are strict limits on video and film production and distribution. The US will not be alone market-opening offer in this sector Maritime services has attracted a great deal of controversy, but it is uncertain whether reform of "cabotage" arrangements - allowing for-eign ships to carry cargo between two ports inside any one country will be possible. Some liberalisation of international shipping will be pressed for, along with action against "closed" shipping conferences which allow shippers plying a route to block new entrants. Government procurement con-

tracts have long been closed to international competition, and again have been an important target for US trade negotiators. Reforms will be resisted by power-ful domestic industrial lobbies, particularly in the construction sector. Even the US could face local controversy, where the "Buy America" act, under which state and local authorities must buy US-made prod-ucts where available, is widely used to ensure government contracts go to local companies.

The third task in Geneva - and perhaps the most time consuming - will be to negotiate tariff cuts across a wide spectrum of industrial and non-industrial goods, and to press governments to replace nontariff barriers to trade (such as quo-tae) with simple tariffs.

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These market-access negotiations are particularly cumbersome because they have to be negotiated bilaterally between all 108 countries involved in the Uruguay Round.

The overall aim is to obtain average tariff cuts of at least 30 per cent, but difficult issues have yet to be

resolved:

• Zero-for-zero versus tariff peaks:
the US is pressing for the EC to
eliminate entirely its tariffs on a
number of goods – particularly
the chemicals and pharmaceuticals areas. At the same time, the EC has been unwilling to agree these zero-for-zero deals unless the US agrees to attack some of its high tariffs on products such as glassware and ceramics. EC officials appear confident that compromise is possible.

• Rice imports for Japan and South Korea: this issue falls at the market access. Up to now, Japan and South Korea have kept their local rice markets firmly closed. lobbles which are potentially more violent even than French farmers. Following US-EC agreement to liberalise farm trade, these countries will come under pressure first to open at least 3 per cent of their markets, and then slowly to cut tar-iffs - which may initially be set as high as 700 per cent.

Bananas have become a contro-

versial issue for Europe, where preferential import quota regimes tar-geted at former French and British colonies have attracted criticism inside the Gatt. Demands for comprehensive replacement of quotas with tariffs will force these quota arrangements to be dismantled. arousing consternation particularly among small Caribbean island exporters. Banana trade may appear versy, but its symbolic importance is likely to be great if Japan or Korea could use it to prevent concessions on rice trade. If the only way to force Japan and Korea to open up their rice markets is to accept tariffs in banana trade, the EC may have no choice but to corn-

Europe and the potentially lame-duck status of the outgoing Bush administration in the US are unlikely to make negotiations any easier. So far, President-elect Bill Clinton has carefully kept his own counsel on trade issues, leav-ing the outgoing administration with sufficient residual authority to keep negotiations going. It would take only a few ill-advised com-ments from Mr Clinton — perhaps on environmental or labour issues to pull the rug from under Mrs Carla Hills and her team of US

Similarly in Europe, it remains to be seen whether the French govern-ment would trigger internal and international crisis by trying to veto last week's farm trade compro-

But perhaps as sensitive an issue ment decides to do. So far, the US-EC dispute has sheltered the Japanese from any difficult decisions. Significant concessions in the coming weeks will be called for from Japan, and if it fails to deliver, it might not only scupper the Uruguay Round, but also lay the ground for a potent anti-Japanese backlash, particularly in the

As Mr Dunkel said after talks in Washington last week: "The hour of Japan has come."

#### Samuel Brittan

# **Lessons of Iraqgate**



The clearest aspect of the Iraqgate affair is the abuse of executive power, all too characteristic of the oversecretive and overcentralised UK government machine. Corporate

executives of Matrix Churchill risked a criminal copviction and possible imprisonment because ministers tried to prevent official documents being used in their defence. We shall need to wait for Lord Justice Scott's report to know who bears the main responsi bility. Meanwhile there is an aspect of the affair which does not depend on the law and which was pointed out by Mr David Sawers in a letter to the Financial Times published on November 18 ("Arms to Iraq: complex objectives and high costs"). This is that Mr Alan Clark, who blew the whistle on the whole affair, stated that his job as a minister of trade was "to maximise exports despite guidelines which I regarded as tiresome and

The full fatuousness as well as immorality of the policy was brought out in the letter underneath by Mr Colin Grant-Wilson. who observed that "Britain almost certainly did not sell the arms, but in effect gave them to the Iraqis". For there is virtually no prospect of the payment by the Iraqis, in which case the Export Credit Guarantee Agency would have to foot the bili.

Some economic fallacies mainly involve a waste of national resources. Others, such as the obstinate defence of agricultural subsidies in the Gatt round, are a threat to international prosperity as well. But the ones involved in the government support for the arms trade are of an altogether different degree of evil. For they lead to the arming of rival dictators, enhancing their power of aggression and threaten-

ing both international peace and eventually bringing about the death and mutilation of young soldiers from the arms-exporting countries

Yet it all arises because of the fundamental mistake of supposing that it is the government's job to maintain not merely full order books and jobs in the whole econ-omy, but in specific industries as well - the belief that if the government does not ensure orders for industry X by hook or by crook, the men and women employed will be thrown on the scrap heap and the other resources involved perma-nently wasted. It is a first cousin of the "lump of labour" fallacy which

State support of arms sales is a fusion of blind patriotism and industrial intervention

maintains that we are always on the verge of economic saturation and that there will soon be nothing left for the available labour force to do.

State support of the arms trade is a near perfect fusion of the right-wing belief in "my country right or wrong" and the left-wing belief in industrial intervention and subsidy. Some would say that this is an exact description of French foreign and economic policy; but the English-speaking countries do not have much to shout about either.

Obviously unregulated markets will not produce international harmony where weapons of destruction are concerned. If businessmen find it pays to sell arms to unscrumulous rulers, they will do so. The role of government intervention - which as in so many other areas needs to be internationally organised by the principal industrial powers to be

scale of such arms sales. Yet in practice its role is often to stimulate

under pure laisses-faire.

The industrial support fallacies are less obviously fallacies during a recession. But it still remains true that 80 to 90 per cent of the work-force have jobs and that most of those who lose them eventually find alternative occupation of one kind or another. Moreover arms support policy, but is all-too-often long term in nature and does not ease off when the danger is overheating and infintion

Indeed, it is even worse than that, No sensible market liberal would deny that there are human, eco-nomic and social costs in running down particular industries rapidly and relocating employees. But these costs are magnified when the sec-tors in question are inflated by government support to much higher levels than would otherwise obtain. So the more that arms-exporting industries are artificially puffed up, the more painful the process of reducing them to normal size.

Above all, politicians and officials who see International trade as itself a form of warfare between Western countries do not appreciate that exports are - like investment - a cost and not a benefit. They only do good if they bring returns. If the exporting countries have to provide the money to pay themselves, then it is a ludicrous form of employment support. It would be much better for governments to use the money to make direct cash payments to people who would otherwise be working in the arms

industry. So far from being a symptom of untrammelled market forces, much of the international arms trade is interventionism gone mad. Do I need to underline the moral any



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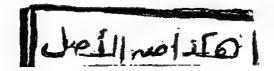
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# After-shocks shatter currency union illusion

Yesterday's realignment of Europe's exchange rates emphasises the split between hard and soft currencies, says David Marsh

I there were still any opti-mists who thought the European exchange rate mechanism (ERM) provided a quick route to mone-tary stability, yesterday's currency realignment has now buried this illusion for good. Shattered, too, has been the notion - still entertained by

some European finance minis-ters during last year's Masstricht treaty negotiations that all 12 EC countries would somehow arrive at economic and monetary union (Emu) at

The 6 per cent devaluation of the Spanish peseta and the Portuguese escudo follows two realignments of the ERM in September, resulting in the floating of sterling and the lira and the first devaluation (by 5 per cent) of the peseta.

The renewed upheaval emphasises how the system of European exchange rates has been split into a "hard" nucleus built around the D-Mark, and outer layers of "softer" currencies. It has confirmed a central precept: Emu, it comes about, will take place at two (or several) speeds. The degree of European dis-

array also places a question mark over whether even a smaller group of hard currency countries - France, Germany and the Benelux countries will accomplish a scaled-down Emu by the Maastricht target date of 1999. Scepticism about the Emu timetable has been underlined in the past few days by the man who, more than, any other, holds the key to the ERM's future, Mr Helmut Schlesinger, president of the Bundesbank

Mr Schlesinger's hold over Bundesbank decision-making has recently been strengthened. This reflects organisational changes lowering the number of seats on the Bundesbank's sometimes fractious council, shifting the balance of power firmly towards Mr Schlesinger's Frankfurt-based directorate and away from the regional board members.

Mr Schlesinger's overriding goal is to ensure that, by the time he retires next September, Germany is firmly on track for a 2 per cent inflation rate in 1994. The present underlying level of German inflation, Mr Schlesinger believes, is still 4

The central bank president wants to avoid a repeat of the September experience, when the Bundesbank explicitly traded a cut in interest rates for the lira devaluation at the weekend of September 12-13. The Bundesbank seems likely, therefore, to keep its discount and Lombard rates unchanged until the end of the year. Mr Schlesinger's toughness



The hard and soft divide

1991 share of EC GDF

has implications for both the "hard" and the "soft" European currencies. The ERM member most likely to come under immediate pressure is the Irish punt, left unchanged sterday ahead of this week's Irish general election. Additionally, the French franc will not be immune to fresh fitters

during the run-up to France's March parliamentary elections. The franc benefited greatly from Bundesbank support during the previous ERM turmoil, weathering the storms after the expenditure of FFr160bn (£19.6bn) in currency interven-

per cent against sterling and of 13 per cent against the lira. In a climate of shrinking European growth, this repre-sents a substantial challenge for French exporters - adding to fears that the devaluation round may not yet have run its

ation (as of last Friday) of 16

The ERM upsets mark a contrast to the calm which went before. During the 5% years before the September lira devaluation, the ERM experienced only one, technical, realignment. Since 1989, three

Helmut Schlesinger's toughness has implications for both the 'hard' and the 'soft' European currencies

tion. However, in contrast to previous ERM realignments in the mid-to-late 1980s, speculators recently have earned sizements to make relatively large changes in currency parities. The strength of the specula-

tors increases the franc's vulnerability - especially if doubts grow about the effect on French competitiveness of the devaluations by some of France's biggest trading partners. Since the lira realignment on September 12-13, the French franc has registered an

day later he was on safer ground at the Institution of

have told the great

Mechanical Engineers' bash

Somebody, perhaps, should

tool men and mechanical

old days, Hezza told both

audiences, it used to be easy

could simply ring up the Conservative Central Office

joke department. Now, sadly,

closed because there's nothing

the department has been

to laugh about any more.

Sound advice

Having trouble writing the

company mission statement?

Observer has just stumbled

on the following maxim which

has presumably been around

Turnover is vanity, profit

is sanity and cash is reality.

■ Once upon a time it was

bankers who were always

who was the biggest in the

world. Now Observer hears

a report suggesting the US

that corporate egos at Merck

falling out with each other on

for many a year.

Merck ado

to write a speech because you

engineers are not as different

Most of the jokes and stories were the same. In the good

nunicator that machine

countries - Spain (June 1989), Britain (October 1990) and Portugal (April 1982) - joined the ERM with 6 per cent fluctustries, Sweden and Finland, pegged their currencies to the European currency unit (in May and June 1991 respectively) backing up efforts to

join the EC. Now, the landscape has changed drastically. Since September, four currencies those of Britain, Italy, Sweden and Finland - have been forced to float. The five EC have either been devalued or are floating (including Greece, not part of the ERM), make up collectively about 45 per cent

of EC gross national product. The autumn devaluations have had a big effect on EC competitiveness. The seven European countries now affectively making up the "soft currency" club — Britain, Finland, Greece, Italy, Portugal, Spain and Sweden - account for 26 per cent and 30 per cent of the total exports of Germany and France respectively. The challenge of foreign devaluations is even greater for Ireland, which sells 42 per cent of exports to the seven-member

"soft" currency club. The immediate cause for the unrest leading to the weekend devaluation was Sweden's decision last Thursday to float the krona, leading to an effective devaluation of 9 per cent against the D-Mark.

The underlying reason for the turbulence, however, was that the September changes, rather than correcting problems, had left some European currency relationships looking still further out of line with reality. Between September 11 and November 20, the lira and sterling were effectively devalued 12 per cent and 13 per cent respectively against the D-Mark - giving a susbstan-tial fillips to Italian and British exporters. During this time, the pesets, on account of its devaluation in September, rose by about 4 per cent against sterling, while the escudo climbed 10 per cent. For two countries which last year ran trade deficits of \$13.3bn (Spain) and \$6.5bn (Portugal) against the rest of the EC, this scale of revaluation was untenable.

The main dilemma facing the ERM is that Germany, because of reunification strains, is straying from its traditional fiscal discipline. Additionally, German inflation is now higher than in several other European yet the Bundesbank's four-

decade-old anti-inflation track record bolsters the foreign exchange markets' belief that, while other ERM currencies fall by the wayside, the D-Mark will remain strong. The Bundesbank is pleased that signs of a marked economic slowdown inflationary pressure on the wage bargaining and budgetary fronts. But only when these pressures show stronger signs of diminishing will the central bank significantly relax its stance. Although the Bundesbank could start easing interest rates quite sharply from next spring, the ERM's bumpy ride may last for several more

#### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

#### Pressure to hold down wages

From Mr Peter Ingram.
Sir, Your editorial ("The gamble on UK pay", November 15) is correct to identify wage growth as the source of the economy's current weakness. You suggest that determination from management in the private sector is needed to contain wage rises. This downward pressure has, over the last two years, been much in evidence as private-sector companies, particularly those in the traded sector, contained costs under the discipline of the ERM. With this constraint relaxing, talk of initiatives directed at co-ordinating wage outcomes and an "incomes pol-icy by exhortation" is already

re-emerging. The experience of the last decade suggests that such pro-posals would be judged as unacceptable by management in the private sector, anxious to retain control of the vital lever of industrial relations that wage movements represent. As a result, any propose initiative designed to moderate wage growth must allow for the flexibility of outcomes required by differing company circumstances. The best opportunity to enjoy this dispersion in wage settlements, but around a lower nominal average increase in earnings, might best be provided by pressure applied through pension fund managers and insurance companies. At this level any benefits of a collective approach might be better appreciated while the institutional investors would also be best placed to regulate such a mechanism through the application of pressure on their sharehold-

Given the structure of corporate control in Britain, if there exists a need for exhortation on pay or co-ordination of wage awards, it should emerge at this level. This would provide the attraction of economi cally consistent wage awards combined with the scope for flexibility while enabling the private sector to control itself. Peter ingram,

lecturer in econ University of Surrey, Guildford, Surrey GU2 5XH

## East Europe: a 'remarkable lack of vision' shown by the west

From Dr Hélène Seppain. Sir, It is all very well for Edward Mortimer (Foreign Affairs, November 18) and his American colleagues to denigrate west Europeans for fail-ing to respond to the challenge of events in the east. US condemnation of the lack of west European leadership may be fully justified in the case of the Yugoslav crisis. But after being the dominant western partner in east-west affairs for decades, the US, too, has shown a remarkable lack of vision in the face of the collapse of com-

True, President Bush clev-

erly "steered" through the dis-integration of the Soviet. Union. This meant doing abso-lutely nothing in the face of the collapse of Soviet power. The general passivity paid off in 1939-90. In those "giori-ous" days, Chancellor Kohl's warnings of Soviet economic collapse and the widespread repercussions this would have in the world economy fell on deaf American and Japanese ears. Let us not forget that, between 1989 and 1991, Germany provided an estimated 56 per cent of all financial aid to the Soviet Union and 32 per

cent of all aid to the rest of eastern Europe. German calls for G-7 "burden-sharing" in the reconstruction of the east were continuously blocked by the Americans and the British who argued that Gorbachev had holes in his pockets. The resulting inaction has created even larger holes in

President Yeltsin's pockets, As

Russia appears to slide into chaos, the pursuit of the US "non-policy" toward the former Soviet Union (and I include here the work of the International Monetary Fund which set the Russian government impossible targets) is not only callous but extremely shortsighted. It is now left to Jeffrey Sachs, Harvard professor and foremost western economic adviser to Mr Yeltsin's government, to accuse President Bush of conducting a "vacuous" for-

eign policy. Short-sightedness in politics appears to be a general western malaise. Hélène Seppain, 174 Huntingdon Road, Cambridge CB3 0LB

From Mr Stanley Crossick. Sir, Edward Mortimer was right to criticise western Europe's failure to respond to the challenge of events in the

A Marshall Plan type of initiative is, of course, needed to help the eastern Europeans achieve economic and political stability. Such an initiative is also needed in the interests of western Europeans. Without it, further disintegration in the east will inevitably lead to mass immigration to the wost.

The success of American companies in Europe owes much of its origins to the postsecond world war Marshail Plan, a combination of brilliant conception and execution by government in partnership with Industry. A concerted and co-ordinated approach to east-ern Europe could lay the foundations of western - and indeed global - economic

recovery.

To achieve this, the present western leaders must match those earlier American leaders in their far-sightedness and willingness to take a long-term Stanley Crossick,

chairman, Belmont European Policy

#### Exactitude in home improvement pay-back

Sir, I must take David Las-celles to task for a serious arithmo-economic inexactitude (Energy Efficiency survey: "Overheated and under-insulated", November 17). In assessing the pay-back time on his potential home improvements, he has completely ignored "opportunity cost" -that is, the loss of interest on

basic economic factor, and while one might tolerate such a naive approach from a DIY magazine, not the FT please! In the examples given, if his total investment is £3,010 then the left interest exercises only 7 the lost interest, even at only 7

per cent, amount to £210 a year. This means that the true saving is £306 at the moment, not £516, and the pay-back time that is, the loss of interest on is not less than six years, it is Shepperton, the capital expended. This is a more than 10. If capital is bor- Middless TWIT 8DZ

rowed, the return will probably be negative. Reasonable insulation

improvements are indeed desirable and usually economical, the notable exception being double-glazing, for which the pay-back time - after opportunity cost - is never. 168 Green Lane,

#### Independent central bank not complete answer

From Mr Walter Grey.
Sir, Mr Thomas Welsh
(Letters, November 17) is not alone in endorsing the "convincing" case for an indepen-dent central bank conducting monetary policy in place of

greater price, and hence general economic, stability. What, at the official level, is also necessary is fiscal balance, or neuessary is listant balance, or the trality, maintained over the length of the business ("eco-nomic") cycle – if an indepen-dent central bank, dedicated to Such an institutional reform, however, is not sufficient for bility at all stages of the politi-

cal cycle, indeed permits the business cycle to persist. With-out this, and without an appropriate fiscal/monetary policy mix, the goal of economic sta-bility, including sustainable growth, is hard to achieve. 12 Arden Road, Finchley, London N3 3AN

For all those feather-brained individuals who think the only things that flock around the Lincolnshire Heartlands are starlings, here is the news.

> In the last three years, over 100 businesses of various shapes and sizes have either moved here or expanded their local operations.

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In fact, the Heartlands are a mere 100 miles from London. Communications are literally A1.

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you that this sounds like a sensible place to set up shop. But there's another important organ to consider before you decide to relocate; the heart.

And, we don't think there's anywhere your heart could feel more at home than right here.

The rolling countryside, the clean air, the peaceful villages. the bustling towns, the first class

schools and the top-flight, low-cost housing, all of these make the Lincolnshire Heartlands the ideal place to grow families as well as businesses.

But don't take our word for it. Ask Mr and Mrs Scrupps. They've just moved into the area to work and already they've increased production by 100%. The fruit of their labours is called Baby Bill and he . weighed in ar a healthy 81bs 10oz.

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# OBSERVER

#### No laughing matter

 Every one knows that De Beers' chairman Julian Ogilvie Thompson is the most powerful man in the diamond top of the list when the Diamond insight newsletter carried out a light-hearted survey asking people in the trade: "What is the first thing that comes to mind when you hear the word diamond? And what is the second?

Alas, we shall never know what Ogilvie Thompson thinks. While others replied, loading their comments with words such as love, beauty. and eternity, a De Beers' PR flunky took the matter much more seriously.

Having discussed the contents of your letter with my colleagues, it would appear that the answer which Mr Ogilvie Thompson would give to your question would distort the result of your survey, given his position and contact with diamonds and the diamond industry. It is, therefore, with regret that we are unable to participate in your survey." Things may be gloomy in surely they are not bad enough

to rob De Beers of its sense

of proportion.

Even ministerial it seems. How else can one explain the repetitive nature of Michael Heseltine's round of annual dinners? negotiated the annual dinner

No joke

speechwriters are not immune to spending cuts and job losses speech-making in the current Last Wednesday, he skilfully of the Machine Tool Technologies Association -

a minefield if ever there was

one, given current events. A

group had been stripped of its title as the world's biggest drugs company. Scrip Reports, a highly respected UK-based market earch company, reckons Merck's arch-rival, Glaxo of the UK, has overtaken it in terms of pharmaceuticals sales According to Scrip, Glaxo's turnover was \$7.247bn last yeei compared with Merck's \$7,225hn, giving the British group a margin of victory of

Officially, Merck says size doesn't matter. Besides, it's



"I hope you slip on the glass

still more profitable than Glaxo. But privately it's more than irritated. The group is now challenging Scrip's methodology, although it has never done so before.

Giaxo is clearly pleased by the figures although it is playing them down. But with sales growth of 19.5 per cent last year, compared with Merck's 13.5 per cent, it is only a matter of time before Glaxo assumes the title officially.

Off the rails

 Is there anybody, anywhere, with a good word to say about the government's plans for the privatisation of British Rail? This is the question posed by Robert Adley, the train-spotting Tory who chairs the cross-party Commons transport committee.

At a time when the government is looking for all good men to come to the aid of the party, Adley has come steaming up the track with a declaration that his committee, currently embroiled in an examination of rail privatisation, has been unable to find a single

independent witness prepared to stand four-square behind the government's proposals. Explaining his anxiety that the committee's report should be based on evidence that reflects all shades of opinion, he implores anyone with a kind word to say about privatisation to drop him a line so that their views can be taken on board. The outburst will come en no surprise at the Department of Transport where Adley is

as much a *béis noire* as Nicholas Winterton was to the Department of Health. There are dark mutterings at the Transport Department that the government whips were so busy ensuring that Winterton was booted off the cross-party health committee that they failed to notice that Adley was chugging to election as chairman of the transport committee. The government's choice

would have been Alan Haselhurst, a trusted backbencher with a long-standing interest in transport, but such is the distress at Adley's appointment (he memorably described rail privatisation as a "poll tax on wheels") that ministers would even have settled for Terry Dicks, the right-wing Tory MP for Hayes and Harlington, best known at Westminster for his distrust of all things cultural.

#### Wet

■ Dan Quayle jokes may be a little passe seeing that he will soon be safely more than a heartbeat away from the US presidency, but the following may be worth recycling: Question to Dan Quayle from the audience at a public meeting. "What do you make

of Roe v. Wade? Quayle pauses for reflection. "Gee, are those new ways to cross the Potomac?"



# FINANCIAL TIMES

Monday November 23 1992



Agreement near with centrist opposition on modifying economic policy

# Yeltsin may slow Russian reform

By John Lloyd in Moscow

A DEAL to modify Russian economic reforms and defuse political attacks on the government is near to agreement between Mr Boris Yeltsin, the president, and centrist opposition

An agreement would allow the government to retain much of its reform team, while industrialists would secure the centrallydirected slower pace of economic change they have long sought, say sources close to the talks.

The deal would concentrate on

improving as rapidly as possible the extraction of oil, gas and precious minerals. In these sectors,

tion of industrial links have wreaked havoc in the past few

Privatisation of large companies would be narrowed to about 30 large companies, mainly in the defence field, with the emphasis on switching to the production of oil drilling equipment and other related technology.

Mass unemployment would be avoided by continuing subsidies to heavy industrial plants and a high budget deficit would continue to be run, perhaps amountgross national product a year. However, as export earnings

The plan would destroy much of what is left of the government's "shock therapy" programme. However, this is almost at a standstill and the new plan with its focus on energy, which is of most interest to foreign companies, would probably receive out-

side support.
The International Monetary Fund and western countries will have little choice but to continue to support Russian reform. However, there will be limits to the IMF's continued backing for a programme which departs radi-cally from its recommendations.

and in oil in particular, lack of rose, a new Russian rouble would investment and the disintegra- be introduced, probably within now under discussion between now under discussion between representatives of the government and the Civic Union, the main centrist grouping, led by General Alexander Rutskoi, its vice president, and Mr Arkady

Volsky, chairman of the Union of Industrialists and Entrepreneurs. The deal will mean some cabinet changes - although it is not at present expected that these will involve include Mr Yegor Galdar, the acting prime minis-

Managing divorce between Moscow and Kiev, Page 4 Fears grow over CIS security



St George's Hall at Windsor Castle, still smouldering yesterday following a devastating fire. The UK government has pledged to restore the hall, used for state banquets and visited by 650,000 tourists each year, to its original condition (inset right)

Details, Page 8

cratic Party has been loath to open the market because of oppo-

sition from Japan's rice farmers,

who have long provided the backbone of support for the party.

There is none the less wide-

spread cynicism among Japan's farmers, many of whom believe

the ruling party is preparing to cave in to international pressure

and gradually open the rice mar-

ket, as it earlier opened the

domestic market for beef and

It is unclear whether Mr Miya-

siderably by financial scandal.

Pierson, the Airbus chief execu-

tive, said he still expected the

But net profit risked being hit

by financial provisions to cover future aircraft delivery risks as

well as possible order cancella-tions and deferrals by financially troubled airlines.

"Nobody knows when the pick-up will finally come." Mr

Airbus reported last year the first operating profit in its 20-

year history totalling about

\$220m (£145.4m). It is expecting to

report a similar operating sur-

plus this year. This reflects a

steady rate of deliveries during

the current year which are expec-

ted to reach about 160 aircraft,

similar to the 1991 figure.

Pierson acknowledged.

rtium to show an operating

# Japan faces fresh trade row over its ban on rice imports

By Steven Butler in Tokyo

JAPAN looks set for a confrontation with its trade partners over its ban on rice imports after remarks at the weekend by Mr Kiichi Miyazawa, the prime minister, who said Japan had no intention of easing the ban.

Mr Miyazawa's comments came in response to the farm trade deal worked out last week between the US and the European Com-munity. The deal is likely to place renewed international pressure on Japan to liberalise the import of rice.

Mr Miyazawa said he welcomed the deal between the US and the EC, but that this would not prompt Japan to change its poli-

Japan will shortly repeat its

AN AIRBUS A340 - the new

flagship of the European aircraft

consortium - set a record for a

non-stop passenger flight from

Europe when it touched down in

Honolulu at the weekend after 16

The Lufthansa flight to Hono-

lulu was part of an exhaustive

airworthiness certification exer-

cise for the now aircraft. The

crew rested during the flight in

bunk beds in a special compart-

ment below the passenger cabin.

the otherwise uneventful flight,

passengers were treated to what

seemed an unending banquet of

food, a wine tasting accompanied

by classical music, and live

music by two Hawaiian minstrels

accompanied by a Hawaiian

dancer. This sort of special treat-

To make the time pass during

By Paul Betts, Aerospa

hours and 12,500km.

opposition to opening its rice market at meetings connected to the trade negotiations under the General Agreement on Tariffs and Trade (Gatt).

Japanese leaders had taken some comfort in private from the squabbling between the US and Europe over farm trade issues. This shifted attention away from Japan's trade policies and allowed them to argue that Japan was not the main obstacle to reaching agreement at the Gatt

Japan has opposed a draft agreement submitted by Mr Arthur Dunkel, Gatt's directorgeneral, which would force Japan to introduce tariffs on rice imports, rather than ban them

outright. Japan's ruling Liberal Demo-

Test flight ushers in new era

when regular Lufthansa and Air

France flights with the A340

The introduction of the wide-

bodied, four-engined A340 is

expected to usher in a new era of

long distance non-stop flights. In

its Dash 200 version, it has the ongest range of any civil aircraft

in the world. It can carry 263

passengers up to 14,500 kilo-

metres on 16 to 17-hour non-stop

flights. It will also enable Airbus

to challenge more aggressively

the traditional dominance in this

market of the US manufacturers.

touched down, Mr Jean Pierson,

the Airbus chief executive,

warned that the commercial air-

craft industry will remain under

intense pressure well into next

the airline industry, Mr Jean

Despite the deep recession in

year and probably into 1994.

After the Lufthansa flight

egin next year.

#### Optimism on trade deal

Continued from Page 1

whatsoever" in demonstrating that the EC-US accord is within the price and production cuts agreed by the Community -including France - in this year's radical reform of the CAP.

France's partners, one official argued, would not accept any new risk of a transatlantic trade war. Nor would they support French opposition when they feet the agreement is in key respects better than even France had expected. "It's going to be difficult for France to oppose [the EC-US settlement] on its previously stated grounds," he said.

zawa's remarks represent a firm Mr MacSharry argues that the farm regime which EC member position of the government, or a stance for domestic public consumption. The timing for an states wish to preserve could not important policy change is in any case not ideal, as Mr Miyazawa's cabinet has been weakened consurvive in the absence of a Uruguay Round agreement guaran-teed by the 108-nation General Agreement on Tariffs and Trade. "We are satisfied we have a deal which will consolidate the bene-

fits to EC agriculture agreed ernments," he says.
It remained uncertain whether the outstanding GATT negotia-

tions in Geneva would be completed in time for the package to be presented to the EC Edinburgh summit next month.

US officials were keeping a low profile over the weekend, making no public statements about the disarray within the European Community, conscious of the danger of inflaming their own farmers, many of whom said on Friday they were deeply disap-pointed with the deal.

It is now inevitable that the Bush administration, which leaves office on January 20, will not be able to complete the passage of any Uruguay Round package through Congress. But President Bush has vowed to negotiate until January 20, and president-elect Bill Clinton has carefully avoided any words or actions that might undermine the stance

Long-range flights and frozen

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#### THE LEX COLUMN

# Short changed

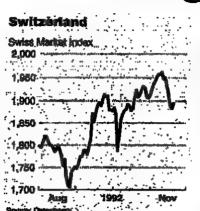
Perhaps European monetary officials secretly enjoy spending the weekend in Brussels. They certainly seem to have left themselves an opportunity for a repeat visit after yesterday's ERM realignment. The escudo still looks overvalued; the Irish punt is untouched despite appreciating nearly 15 per cent against sterling since mid-September. More importantly, the effective appreciation of the D-Mark appears too small for a further cut in German interest rates.

Without some prospect of lower Ger-man rates, the residual tensions in the system will not easily be unwound. True, Portugal and Ireland are shielded to some extent by exchange controls. The latter, along with Denmark and France, can boast stronger economic fundamentals than Germany. Yet Paris can scarcely relish a continuing period of enforced tight money. Its reluctance to endorse the EC-US farm trade agreement is a sign of insecurity which may encourage the foreign exchange markets to attack. The European authorities must hope a changing perception of the D-Mark itself will save the day.

Economic weakness and the social strains from unification have reduced the D-Mark's attraction against the dollar and the Swiss franc. The trouble is that a stronger dollar may give the Bundesbank one more reason for not cutting rates. Sooner or later, how-ever, the tension will have to be resolved through a shift to easier money. If this realignment helps European equity markets to look forward to that point, they may even have grounds to feel encouraged.

The "Z" in Zeneca - as iCI's bioscience side was christened last week — is the alchemists' symbol for solution. But it will take more than hocus-pocus to get bulk chemicals in a fit state to stand alone next year. If nine-month results from BASF and Hoechst are anything to go by, petro-chemicals markets have deteriorated since the end of ICI's third quarter. Even allowing for a peculiarly German perspective on the cycle, there seems to be little hope of an upturn much before the end of 1983.

True, ICI will benefit from sterling's devaluation; overseas profits will be lattered on translation. More importantly, it will earn a higher margin on chemicals exported from the UK. Some of that advantage will be lost, though, if continental Europe slides into reces-



sion. The translation effect on earnings, moreover, does not make any more cash available to pay the dividend. On a conservative assumption the demerged chemicals business would have to bear a little under half of ICI's £400m dividend bill next year. ICI is less dependent on commodity

chemicals than last time around the cycle. The recent asset swap with Du Pont, for example, leaves it well positioned in acrylics. Some cash might also come from disposals next year, the polypropylene business being an obvious candidate. But given the regular capital expenditure demands of petrochemicals — and the deeply uncertain outlook — ICI can hardly float the chemicals business while its depends on divestments to keep in shape. It might always be tempted to push more of the dividend on to Zeneca, but reducing dividend cover on the other side of the business will hardly pave the way for a rights

#### UK utilities

With strong balance sheets and improving cash flows, UK utilities have very different finances from their foreign counterparts. Gearing for the UK regional electricity companies varies between 5 per cent and 30 per cent, while US electricity utilities typically have gearing between 50 per cent and 100 per cent. Interest cover is also higher in the UK than elsewhere. BT's operating income covers its interest payments more than 11 times, that for the US "baby bells" only between 3 and 4 times. Comparisons with conti-

nental firms are even more startling. By the second half of the decade many UK utilities will have substantial net cash and while privatised UK firms arguably face competition, they

could still run happily with higher levels of debt. The anomaly arises because the companies were sold as though they were conventional businesses expecting to earn reasonable returns in a competitive market. Their restructured balance sheets reflected this, but profits have increased much faster than expected partly because competition has evolved slowly and their capacity to cut costs was higher than had been thought. BT's return on capital employed is now 21.4 per cent, compared to an average 11.4 per cent for the "baby bells".

Higher gearing might improve returns for shareholders, but that would depend on what the companies did with the borrowed money. British Gas and the electricity generators can make a case for investing in areas of expertise such as exploration and production and power generation over-seas. BT and the regional electricity companies might consider returning the cash to shareholders before it burns a hole in the directors' pockets.

#### Switzerland

The gossip in the Swiss equity mar-ket is that investors are discounting a "no" vote in next month's referendum on joining the European economic area. The market has fallen more than 3 per cent since early November, ostensibly on worries about the threat to investment, jobs and growth from remaining outside. On closer examination this theory looks a little flawed.

The vote will have little impact on

the earnings prospects of large Swiss companies and banks which are well-implanted within the EC. At greater risk are small and medium-sized companies in the engineering sector, par-ticularly those which rely on government procurement contracts. Yet even these worries are easily exaggerated. More important for equities, though may be the interest rate trend. The market was discouraged by an uptick of about half a point in Eurofranc rates since late October as the Swiss National Bank responded to franc

weakness against the D-Mark. Significantly, share prices recovered towards the end of last week as the central bank, which is increasingly pessimistic about the domestic econ-omy, injected liquidity into the money market. It may have further opportunities to do so if turnoil in the ERM keeps the franc strong. From this perspective, a "no" vote which empha-sised Switzerland's distinctiveness might even help the equity market.



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فكذاصر الأصل

SECTION III

#### FINANCIAL TIMES SURVEY

# WORLD COMMERCIAL VEHICLES

Monday November 23 1992

In 17 years the number of truck makers in Europe has shrunk from 25 to 10 last year. As losses mount remorselessly, a further wave of restructuring appears to be unavoidable. Kevin Done examines an industry which, throughout the world, faces spiralling development costs and rising expenditure to meet. tougher environmental regulations

# Squeeze tightens as sales plummet

THE vice is tightening pean commercial vehicle indus-inexorably on truck makers in try, which had become "visible western Europe as sales fall for the third year in successio with little prospect of relief

next year. As several leading producers face mounting losses, the industry is again cutting jobs. and a further wave of restruct-uring appears unavoidable in a sector where the number of truck makers has already shrunk from 25 in 1975 to 10

in North America, demand for heavy trucks (above 15 tonnes) has begun to rise after three years of declining sales, but margins remain tightly squeezed, and most producers are still losing money. The heavy truck industry in the US has been deep in loss for five of the past 11 years. It has made net losses over the past decade, and the industry was working at only 55 per cent of capacity last year.

The Japanese truck market has also weakened in the past two years. Sales of trucks fell by 6.9 per cent to 179,000 in the 12 months to the end of March this year, and Hino, a leading Japanese heavy truck maker, has recently cut its 1992/93 forecast of overall domestic truck demand to 142,500 from an earlier forecast of 155,000, a 20 per cent fall from the previ-

Nissan Diesel, one of Hino's main domestic rivals, fell into loss in the six months to the end of September and is not paying an interim dividend, while Hino itself recently announced a 59 per cent fall in pre-tax profits in the same

period. in all three regions truck makers are facing spiralling product development costs and rising expenditure to meet tougher environmental regulations, a burden which is increased by the lack of har-monisation of regulations and testing procedures between Europe, Japan and North

In the European Community truck makers are also confronting the advent of the single market, which is expected to prove a mixed blessing for the commercial vehicle industry.

According to Werner Niefer, president of Mercedes-Benz. the automotive subsidiary of Daimler-Benz of Germany and the world's biggest truck maker, the volume of transport in Europe is expected to grow by 40 per cent during the next 10 years. (Roads account for more than 65 per cent of goods

transport in Europei.
The promised growth in transport volumes in the single market should be accompanied, however, by a far-reaching deregulation of transport markets, which is expected to intensify competition drastically in the transport industry, with a considerable increase in the productivity of haulage operators rather than in the number of trucks in use. As more power is concentrated in the hands of larger transport groups, they could succeed in driving down prices. The European truck industry

has watched with trepidation the impact of deregulation in the US which over the past decade has pared truck produc-

ers' margins to the bone. The commercial vehicle industry - and in particular the truck sector - is notorious for its exaggerated trade-cycles, and while North Amer-ica appears to be finally emerging this year from the trough of its latest recession - heavy duty truck sales dropped by 36 per cent from 169,000 in 1968 to 105,000 in 1991 - the west European market is still on the downward slope with an uncertain braking distance.

The alarm signals of recent weeks show how the squeeze is

Mercedes-Benz, the overwhelming leader of the western European truck market with a 31 per cent market share last year, announced earlier this month that it was postponing indefinitely its plan to build a new 40,000-a-year truck plant in castern Ger-

It blamed the decision on three main factors: the struc-tural problems facing the Euro-

in all clarity" as a result of the economic downturn; the changed medium-term outlook with falling demand for light and heavy trucks; and the clearly reduced prospects for the development of eastern European markets.

Last year, Mercedes-Benz commercial vehicle production reached a record level at 296,000, but now its German plants are already, facing extended short-time working in the first half of next year. Wolvo Truck, one of the world's leading heavy truck makers, has announced this month another package of emergency measures aimed at cutting costs by SKr2.5bn (\$425m) a year by 1995, and including the loss of another 1,980 jobs, of which 1,410 will be in Sweden.

Volvo's truck operations have slumped into loss this year in the face of lower capacity utilisation in Europe, substantially higher product development costs and inadequate margins in North America.

It is in loss in spite of an earlier crisis package announced in 1990 aimed at cutting annual costs by SKr1.5bn by the end of this

It closed one of its US plants at Ogden, Utah, last year and cut its workforce worldwide during 1991 by 1,150 to 18,100. French trade unions warned this month that Renault Véhicules Industriels, the French truck maker, was preparing to announce shortly up to 2,500 job losses, amounting to nearly 15 per cent of the workforce. RVI has plunged into a big loss this year from the minimal net profit of FFr23m made in 1991. The results are a far cry from the net profits of FFribn and FFr930m achieved in 1968 and 1989. It has introduced temporary lay-offs, averaging seven days a month.

■ Scania, the Swedish heavy truck maker and hitherto the most profitable European pro-ducer, is cutting 875 jobs at its Swedish and Dutch plants by early next year, after aiready cutting the workforce at its European production plants by 1,500 since 1989.

■ The loudest distress signals have come from Daf, the Dutch commercial vehicle maker, which is now in its third year of heavy losses in the face of the deep recession in the UK, its largest single market where truck sales have more

than halved since 1989. Daf is the most likely next victim of the inexorable restructuring in the European truck industry. For more than three months it has been negotiating with Mercedes-Benz over a potential strategic alli-

Daf is seeking a partner to provide fresh equity to bolster its battered balance sheef, as well as collaboration to allow it to share products, new product development costs and plant

capacities.

Mercedes-Benz has made no secret of the fact that it expects the process of concentration in the European truck industry to proceed apace to the end of the decade.

By the end of the 1990s we will have three supranational strategic alliances in Europe, each with one major company at its core," said Helmut Werner, chief executive-elect of Mercedes-Benz, in an earlier

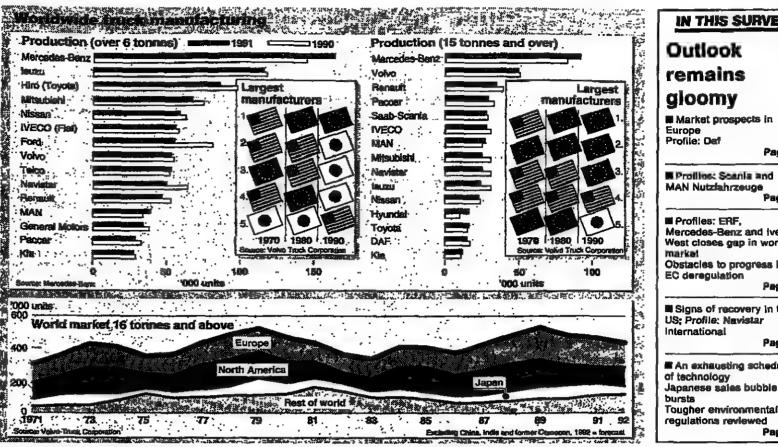
Much larger producers than DAF had already concluded that times were becoming too

tough to go it alone. in the most significant realignment of forces to date Volvo of Sweden and Renault of France have embarked on a far-reaching alliance which includes 45 per cent cross-shareholdings in each other's truck operations.

lveco, the commercial vehicles subsidiary of Flat of Italy which was originally formed from the merger of smaller Italian, French and German truck makers, added management control of Ford's UK-based truck operations in the second half of the 1980s. Itself in loss, it is now trying to rationalise Spain's loss-making Enasa, the formerly stateowned maker of Pegaso trucks, acquired at the beginning of

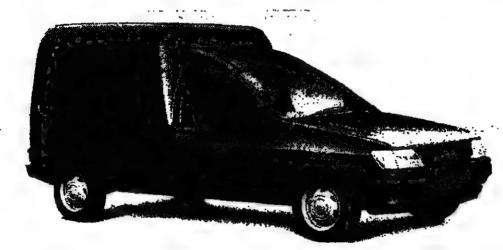
While the big groups consolidate, the minnows continue to

The latest casualty is AWD. the small privately-owned UK truck maker, which was forced to call in the receiver this summer after failing to make a go of General Motors' former heavily loss-making Bedford truck operations.



#### IN THIS SURVEY Outlook remains gloomy Market prospects in Europe Profile: Daf Profiles: Scanla and MAN Nutziahrzeuge Profiles: ERF, West closes gap in world market Obstacles to progress in EC deregulation Signs of recovery in the US; Profile: Navistar An exhausting schedule of technology Japanese sales bubble

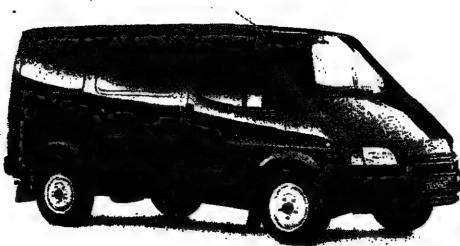
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Number of Payments	48	48	48
Monthly Payment	£182.33	£188.33	£226.49
Weekly equivalent Payment	£42.08	£43.46	£52,31
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#### COMMERCIAL VEHICLES 2

Kevin Done looks at market prospects in Europe

# **Outlook remains gloomy**

% change

THE western European truck industry is in its third year of decline, and the short-term outlook remains gloomy with forecasts suggesting a further significant drop in demand in

The latest forecast by DRI, the London-based automotive analysts, suggests that truck sales (6 tonnes gross vehicle weight and above) across the main 15 markets in western Europe will have fallen by 10.5 per cent this year to around 246.000.

There is little relief in prospect in 1993 with truck sales forecast to fall again by as much as 8 per cent to 226,000, before a modest recovery hegins in 1994.

While truck sales have been falling in Europe overail, the extraordinary boom in Germany in the wake of unification has masked the speed of the decline in other markets.

The share taken by Germany

There is little relief in prospect in 1993 with truck sales forecast to fall again by as much as 8 per cent to 226,000

in the overall western European truck market has virtually doubled from around 20 per cent in 1989 to around 40 per cent this year. According to DRI figures truck sales (6 tonnes and above) in Germany increased by 22.3 per cent in 1990 to 68,000 and jumped again by 54.4 per cent in 1991 to 105 000

Supported by the surge in Germany, truck sales overall in western Europe fell by only 7 per cent from the peak of 1991. Excluding Germany, however, truck sales in the rest of Europe have plunged in the past two years by 29 per cent. Since mid-1992 the market has begun to turn downwards in Germany, too, after the last two years of record sales, however, and there has been little sign of a recovery elsewhere in Europe to compensate for weakening German sales.

With such a wide disparity between the performance of different markets, truck maksharply contrasting changes in fortune with most of the benefits accruing to Mercedes-Benz and MAN, the two German truck makers which control around three-quarters of their domestic market.

Mercedes-Benz captured a third of European sales in 1991 and MAN has boosted its share from 8 per cent before unification to more than 12 per cent

The scale of the impact of German unification on the truck industry coupled with the decline in demand in other European markets can be judged from the fact that eastern Germany alone has emerged as Europe's second biggest truck market in the first eight months this year.

According to Automotive Industry Data, the UK-based automotive industry analysts, new truck sales (above 3.5 tonnes) in eastern Germany alone totalled 28,650 in the first eight months this year compared with 25,818 in France and only 20,633 in the UK.

The UK, Spain and the Scandinavian countries, which led the present decline into recession, have suffered the largest falls since the European market peaked in 1989.

Truck sales in the UK have dropped by more than 50 per cent in the past three years, while the Spanish market has fallen by 43 per cent, and Sweden now has a market only a third of its former size.

According to the DRI European truck forecast report published this month "the summer months have brought a significant deterioration in market conditions to many of the European markets... turmoil in European currency markets, deteriorating national economies and increasing uncertainties over the prospects of any economic recovery in the short-term have added to the mood of gloom and general unease in the truck industry.

"The glow of German unification and the boom it injected into the market is fast fading away as the the market faces re-adjustment to lower levels of

The prospects overall for European truck sales next year have deteriorated as forecasts have been revised downwards

Western European light commercial vehicles Sales forecast — up to 6.0 tonnes (000s)*									
	1990	1991	1962	1993	1994				
West Europe total	1,341.3	1,185.5	1,209.1	1,224.7	1,277.				
% change	- 11.6	~ 11.5	+ 1.9	+1.3	+4.8				
Сюгини	103.6	129.7	179.1	149.8	141.1				
% change	+ 12.0	+ 25.3	+ 38.0	-16.4	-4,4				
France	370.6	328.0	301.2	317.4	837.				
% change	-6.0	-11.5	-8.2	+5.4	+6.2				
UK	230.1	163.4	152.0	168.5	184.5				
% change	-24.1	-29.0	-7.0	+ 10.9	+9.				
Raly	147.8	147.8	144.8	143.7	150.1				
% change	-7.4	+0.0	-2.1	-0.7	+4.8				
	484.4	-	477.0		400				

Western European trucks — Move o townes Sales forecast (000s)*								
	1990	1991	1992	1983	1984			
West Europe lotal	278.4	275.2	246.3	226.0	236.1			
% change	-5.9	-1.2	- 10.6	-8.2	+4.4			
Germany	66.3	105.5	97.0	74.5	63.8			
% change	F-22.6	+54.4	<b>~8.1</b>	-23.2	- 14.3			
France	49.4	43.9	36.3	37.3	42.6			
% change	-3.2	- 11.1	- 17.3	+24	+ 14.7			
UK	MIZ	29.8	29.0	32,7	17.A			
% change	-31.2	-33.4	-25	+ 12.6	+ 14.4			
Italy	32.0	25.3	30.1	18.0	22.8			
% change	-2.1	-21.1	-20.5	-10.4	+26.7			
Spein	24.9	20.4	18.2	18.6	20.7			
% change	- 22 3	-183	- 10 B	+26	4113			

- 17.0

+123

+48

+3.1

" (1804) actual, 1905/pt femocent, Porecast for 18 regulates " From 1991 Germany total includes easiern Germany

Source: DAI Europeen Trocks Farecest Rep

		ary-Augus		1992
Makes	Units	Markett share %	Units	Market stare %
Mercades-Bonz	87,788	31.6	65,050	32.5
Iveco	39,856	18.6	35,783	17.9
MAN	25,936	12.1	26,314	13.1
RVI-Renault	21,767	10.2	17,339	8.7
DAF	15,500	7.2	15,715	7.8
Volvo	17,665	8.2	15,483	7.7
Scanla	13,146	6.1	11,970	6.0
Others	12.543	5.9	12,649	6.3
Total	214,201	100.0	200,283	100.0

the German market, and

weaker demand prospects in

other European countries,

truck registrations are forecast

to decline by up to a further 8 per cent in 1993, before some

in particular for France and Italy, which are not expected to be able to compensate for the accelerating slide in Ger-

man demand.

Truck sales in France (six tonnes and above) are forecast by DRI to rise by only 24 per cent near year after three years of sharp decline, with sales falling in Italy by 10.4 per cent and in Germany by 23.2 per

nd in Germany by 23.2 per The DRI forecast does see a resumption of modest growth in European truck demand

Western Europe	truck sales	(over 3.5	tonnes GYW
	1991	1900	% classon
Augusta	6,685	7,485	- 10.4
Beigium	10,964	11,337	-3.3
Denmark	3,425	3,536	-3.1-
Ireland	1,979	3.075	-35.8
Finland	2,384	4,184	-43.5
France	44,886	50,470	-11.1
Germany <sup>e</sup>	126,611	81,149	+56.0
italy	28,218	35,198	- 19.8
Netherlands	12,758	14.677	-6.3
Norway	3,550	3,856	-7.9°
Spain	24,462	31,191	-21.6
Sweden	4.376	6,733	-35.0
Switzerland	3,620	4.681	-25.8
UK	32,184	46,545	-33.7
Europe	367,077	200,297	+0,3
excluding Germany	180,466	225,143	<b>- 19.8</b>

from 1994, but total sales are only forecast to reach 261,000 by 1997, still well below the peak years at the end of the

In the UK the first signs of a modest recovery are appearing but only after three years of deep recession have taken a heavy toll on the industry.

In July truck sales (above 3.5 tonnes gross vehicle weight) showed the first monthly year-on-year increase in 34 months finally ending a period in which sales had plunged by 60 per cent in three years.

The breakthrough achieved in July has been sustained for four months with UK truck sales showing year-on-year increases for four consecutive months from July to October. The decline earlier in the year, however, means that for the first 10 months UK truck sales were still 4.3 per cent lower than in the corresponding period a year earlier.

Since 1969, overall UK commercial vehicle sales have suffered the steepest and deepest fall into recession of the post-Second World War period. Truck sales have fallen to a level not seen since the early 1950s, and the recovery is therefore coming from a very

The recent improvement should be sustained in 1991 and 1994 according to the latest DRI forecast, which suggests that sales of trucks (6 tonnes and above) could increase by 13 per cent in 1993 to 32,700 and by 14 per cent to 37,400 in 1994. It is expected that pressures in the UK to replace older in the UK to replace older.

measure of returning confidence and improved investment climate provide a firmer foundation for growth in truck mann. "Many truck operators will become more intense." "Many truck operators will be experiencing rising costs as resumption of modest growth in European truck demand beyond the point at which they

would normally renew them if trading conditions were better," says the DRI report.

An early sign of improving prospects is coming from the truck rental sector in the UK, which operators often turn to as a means of adding capacity in the short-term, when they are uncertain about embarking on a new truck purchase to meet higher demand.

meet higher demand.

Despite falling sales in western Europe, truck makers in Europe managed to increase production modestly by 2.2 per cent last year to 324,000, helped by exports to overseas markets with important orders coming from north Africa and the Middle East. Output fell in 1990 by 13.4 per cent to 317,000.

13.4 per cent to 317,000.

The latest DRI study suggests that the fall in truck production (6 tonnes and above) will have been resumed this year with a drop of around 7.5 per cent to 300,000, however. Output is forecast to decline further in 1993 by 5.2 per cent to 285,000. Production reached a peak of 366,000 in 1989.

a peak of 366,000 in 1989.

In previous recessions in Europe, which had been triggered by steep increases in oil prices, the western European truck industry had been able to cushion demand losses at home through sharply higher exports to the oil-producing countries.

"This time the nature of the recession is different and is accompanied by a weak global outlook with real commodity prices remaining low, and little prospect for exports to make up domestic shortfalls," says

With the main impulses for recovery coming from domestic demand in Europe, DRI forecasts the start of a modest recovery in output in 1994 with an increase of 3.1 per cent to Profile: DAF

# In search of an alliance

IN THE endless war of attrition in the European truck industry Daf, the Dutch commercial vehicle maker, appears set to be the latest victim of the wave of restructuring that has swept through the sector.

Three months ago it admittant that the bar forced to

ted that it had been forced to enter discussions on "a strategic alliance". While still refusing publicly to identify the hoped-for saviour, it appears that Daf is seeking shelter under the giant shadow of Mercedes-Benz, the world's leading truck maker and the automotive subsidiary of Daimler-Benz, Germany's higgest industrial corporation.

Def, which is now in its third year of heavy losses, says that it is seeking an alliance, where the new partner would provide fresh equity to bolster its battered balance sheet, as well as collaboration to allow it to share products, new product development costs and plant canacities.

Its need for an alliance is becoming increasingly urgent as truck markets weaken across Europe, and as recovery from prolonged recession in the UK, still Daf's biggest market, ramains elusive.

let, remains elusive.

In its latest setback Daf announced last mouth that it would have to defer payment of a dividend in 1992 on an issue of preference shares made only a year ago to raise F1 250m to strengthen its creaking finances.

The dividend postponement — along with the announcement of more production cut-backs caused the Daf ordinary share price to plunge to an all-time low of F18.80 in trading in the last mouth from a high for the year of F126.90. Daf was floated on the Amsterdam and London stock exchanges in 1969 at a price of F147.00 a share and peaked at

F1 58.30 shortly afterwards.

The reluctance of some Daf shareholders to subscribe to last year's share issue has radically changed its shareholder structure.

The British Aerospace stake (a product of Daf's takeover in 1987 of the Leyland truck operations and BAe's subsequent takeover of Rover, formerly British Leyland) has fallen from 16 per cent to only 10.9 per cent.

At the same time three leading Dutch financial institutions have emerged as big shareholders, ABN-AMRO Bank with 8.2 per cent, and the Dutch insurance groups ING and Aegon with 18.2 per cent, and 6.4 per cent respectively.

per cent respectively.

While Daf seeks the support of Mercedes-Benz, it is also in advanced talks for additional funding of Fl 210m in credits backed by the Dutch and Belgian states. Separately it has explored potential collaborative ventures in components with Hino, the Japanese truck

Daf's fortunes have changed with alarming speed reflecting the dramatic volatility of the European truck market. It fell into net losses of F1228m in 1990 and F1394m in 1991 – and failed to pay dividends – after schieving a record net profit of F1172m in 1989.

Daf has turned from hunter to prey in the European truck industry.

In the late 1980s it moved into high gear in a drive to acquire, itself, the critical size that might have promoted it into the top league of Euro-

pean truck makers.
In 1987 it took over the then British Leyland truck and van operations in a move that transformed it from being essentially a heavy truck and bus maker, into a commercial vehicle producer with a full product range from vans to light, medium and heavy trucks and buses.

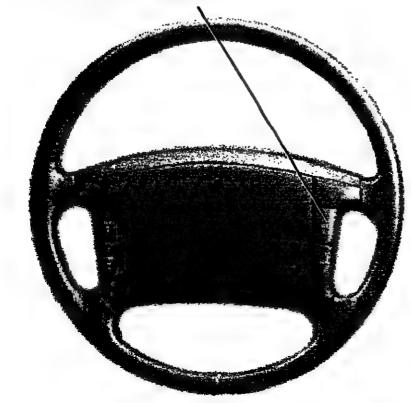
Buoyed by the record sales and profits of 1989 it then tried successively to take over Enasa in Spain and Steyr in Austria, but each time it was thwarted, as bigger rivals stepped in.

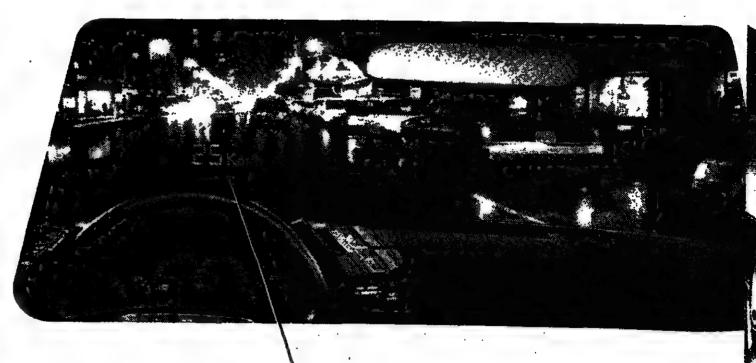
Among today's surviving European truck makers, DAF is exposed by having the breadth of product range of the biggest players without their production and sales volumes. It has entered a collaboration with Renault to develop a new van range for the mid-1990s,

Continued on next page

# LOOKING DOTHE FOR TOWARDS INCREASED SAFETY, YOU'S SE

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#### COMMERCIAL VEHICLES 3

Continued from previous page but until it started its present negotiations with Mercedes-Benz, it had failed to find apartner to share the much more onerous product development burden on the truck side

At the same time it has lacked the depth of financial resources to allow it to emerge unscathed from the horrors that have beset its sales in the UK, which became its single biggest market after the

merger with Leviand. Daf has tried hard to reduce its dependence on the UK by building its dealer network and sales in particular in Germany and in France. Its endeavours are beginning to bear fruit in those markets, but in 1991 the UK still accounted for 29.4 per cent of group turnover.

It was little consolation that Daf became the truck market leader in the UK last year, narrowly overhauling its bitter local rival Iveco Ford, when at the same time overall UK truck sales were suffering their steepest slide into recession since the Second World War with demand at its lowest level since the early 1950s. UK truck sales have fallen by 60 per cent in the past three years.

According to figures from DRL the London-based automotive analysts, Daf's share of the western European heavy truck market (above 15 tonnes) fell to only 7.9 per cent last year from 10 per cent in 1990 leaving it ast among the seven leading European truck makers.

It has managed, however, to cut its net loss in the first half of 1992 to Fl 97.4m from Fl 179.1m a year ago, with its operating loss reduced to Fi 27.4m from Fi 116.5m a year earlier. It has launched this year a new heavy truck range, the Daf 75/85, developed at a

cost of F1550m. Between the end of 1991 and the end of 1993 restructuring measures will take costs of Fl 500m a year out of the business. With manufacturing operations in the Netherlands. Belgium and the UK, the company will have cut its workforce to fewer than 12,000 by the end of 1998 from 16,782 in

Daf's earlier forecast - conditional on various favourable developments - of a break-even for 1992 after a loss in the first half, had to be changed, in late August to a break-even only in the second

IN THE MIDST of declining heavy truck markets across Europe, Scania, the specialist Swedish heavy truck maker, has added to its capacity with the opening of a new truck ssembly plant at Angers in western

ing position as the most profitable cial performance is coming under pressure as it adds capacity at a time

of shrinking demand.
The Swedish truck and bus maker is a subsidiary of Saab-Scamia, the automotive and aerospace group, which in turn forms the main wholly-owned operating unit of Investor, the Swedish investment group con-trolled by the Wallenberg family.

When European truck sales were unable to keep up with demand and was forced to sacrifice market shere. It embarked on the Angers project at the peak of the market, however, and it now faces the burden of carrying the excess capacity through the duration of the present recession.

Last year the group succeeded in sating for the lower demand in western Europe with increased sales in other markets, in particular in the Middle East and in the Far East, but this has proved more difficult in 1992.

in the first half of this year sales

AFTER two years of record profits the party appears to be over for MAN Nutzfahrzeuge, the number two German commercial vehicle maker behind Mercedes-Benz.

Much more heavily dependent on the home market than its arch domestic rival, MAN has been buoyed up by the extraordinary surge in truck demand in Germany in the wake of reunification.

In its last financial year to the end of June it increased its pre-tax profits by 29.7 per cent, the group's best financial performance.

Its record profits have been in stark contrast to the losses reported elsewhere in the industry by the likes of DAF and Volvo, but as the wave of demand in Germany subsides, MAN, too, is having to prepare for tougher times ahead.

In contrast to the record production and profits achieved in the 1991/92 financial year (to June 30) the value of new orders booked in the year had already begun to fall sharply, and MAN is now being forced to reduce output in line with falling sales. It has cut truck production by

around 12 per cent. It has halted output for one week during November and will also stop production for a week from January 4. It is cutting overtime, not replacing temporary workers and not replacing workers lost through natural wastage. Kevin Done! Both profits and turnover are fore. MAN truck and bus sales world-

France. Scania has long enjoyed the leadk maker in Europe, but its finan-

corresponding period a year earlier. Turnover has declined by 7 per cent to SKr8.38bn. It captured a 10.4 per cent share of the European heavy truck market (above 15 tonnes) last year, a fall from 11.2 per cent a year earlier. Scania's truck production operations are located in Europe -in Sweden, in the Netherlands and in France - and in South America, where it began to build trucks, buses

and engines in Brazil in the mid-1950s and in Argentina in 1976. it has a leading position among European truck makers in the Middle East and Far East, where its trucks are assembled under licence in South Korea by Asia Motors, a

per cent to 14,961 from 16,643 in the

subsidiary of the Kla group. The main blank on the Scania map is North America, where the Swed-ish truck maker has failed to follow its European rivals Mercedes-Benz, Volvo and Renault into the US industry. Unlike these three groups, which have all taken over established US truck producers - and

of Scania trucks and buses fell by 10 have all suffered heavy losses - 2.942, Sweden, 2.656 and Italy, 2.506. Scania tried to go it alone, but with little success

Since 1985 Scania has exported to the US a limited volume of trucks for sale in the north-eastern states of the US, but it was forced to announce in the summer that it was discontinuing production for the US

fran, where Scania sold no trucks in 1990, emerged as its fourth largest from the end of this year. It blamed market worldwide last year with the its withdrawal on the lack of profitsale of 2,300 vehicles. Scania's sales It embarked on the Angers project at the peak of the

ability in the US heavy truck market in Germany, where it is the leading and "the unlikelihood of a return to profitability in the foreseeable

future". Scania's well-established global presence in markets outside north America has been an important source of strength in the face of the volatility of demand in individual markets. In 1989 its five biggest truck markets were Brazil with 4.099 vehicles sold, the UK, 3.507, France,

market, and it now faces the burden of carrying the excess capacity through the duration of the present recession heavy truck importer, with a market share of around 6 per cent, have more than doubled in three years from 1,813 in 1989 to 4,011 last year. in the same period its sales have more than halved in the UK, how-

In the space of two years the UK, Sweden and Italy had dropped out of the top five to be replaced in 1991 by

Germany - with 4,011 vehicles Scania's biggest market - Iran and the

from 3,507 in 1989. Helped by a surge in the construction sector in South Korea Scania sales there more than trebled last

ever, falling to only 1,363 last year

This year the Iran and Korea markets have declined, and Scania truck sales are also falling in line with the markets in Germany and in Brazil Scania has been unable to make up for these falls, although it has made gains in Argentina, and in several smaller markets such as Morocco, Tunisia and Syria. It has

returned to Morocco this year after an absence of 30 years with the assembly of trucks and buses by Soriac, a privately-owned, local group. It is aiming at a sales volume in Morocco of around 250 vehicles a The access to overseas markets has not been sufficient during the recession in Europe to maintain production levels at Scania's Swedish

and Dutch plants, and the group has announced measures to cut its workforce in the two countries by 875 by early next year. It had a workforce of 22,000 at the beginning of 1992 with 6,500 at its main Södertälje plant in Sweden, and 9,000 outside

To bring output into line with falling sales production is being stopped for a total of 9 days from September to the end of the year at the Dutch plants, while four production days will be lost at the Swedish plants around the end of the year.

The decline in Europe means that production at the new Angers plant, where Scania has initially invested close to FFr400m (£49m) will develop much more slowly than originally planned. The workforce presently totals around 200 including 120 hourly-paid workers. With output running at 5 trucks a day the Angers plant is scheduled to produce 600 trucks by the end of this year. At full capacity of 30 trucks a day the workforce is expected to rise to

Scania has developed plans to establish an engine plant at Angers as well as to further boost truck production canacity at the site, but investment in further expansion will require first a significant recovery in

the European heavy truck market. The group is aiming to have a production capacity for 50,000 vehicles a year by the mid-1990s. Last year total deliveries of trucks and buses increased by 5 per cent to 33,100, including 3,980 buses, the second best year in the group's history.

**Kevin Done** 

Profile: MAN NUTZFAHRZEUGE

Profile: SCANIA

**New plant opened in France** 

Netherlanda

# The party appears to be over

cast to fall in the current year. MAN has also warned that further shorttime working could be imposed in coming months, if orders remain at a low level. Turmoil in the currency markets has greatly increased uncertainty in European markets, it says. While the outlook for the coming

year is deteriorating, MAN at least has the cushion of a record financial performance in the past two years.

In the 12 months to the end of June the company, a subsidiary of MAN, the German engineering group, increased its pre-tax profits by 29.7 per cent to DM506m, while turnover rose by 6.9 per cent to a record DM7.9bn. Sales outside Germany were unchanged at DM3.2bn, but domestic turnover jumped by 18 per cent to DM4.7bn.

MAN raised its production of trucks and buses by 8.4 per cent to a record 41,590 with the company's plants in Germany and in Austria working at full capacity. In contrast to the wholesale job losses elsewhere in the industry it increased its workforce by more than 1,000 to 28,900 at the end of June.

wide rose by 7 per cent to 40,815 in 1991/92 from 38,146, helped by strong demand in Germany and in Austria. The increase was achieved in spite of a fall in the total western European market for trucks (from 6 tonnes gross vehicle weight) to 277,000 in the calendar year 1991

from 287,000 a year earlier. The group's strong presence in the 1990 acquisition of the Steyr truck

Its record profits have been in stark contrast to the losses reported elsewhere in the Industry by the likes of DAF

German market, where it accounts for more than a fifth of all truck sales (over 3.5 tonnes gross vehicle weight), has allowed it to achieve a record share of the total western European market where Germany is the dominant force.

According to DRI, the UK-based automotive analysts, MAN has moved from last place among the seven leading European heavy truck makers in 1890 to third place last year behind only Mercedes-Benz and ween. Its share of the western European heavy truck market (over 15

forecasts that MAN's share will have risen to a peak of 13.4 per cent this year before weakening in 1993, as the German market contracts. MAN has been able to boost production to cope with the surge in

tonnes) has surged from 8.8 per cent in 1990 to 12.8 per cent in 1991. DRI

demand in Germany thanks to its

operations in Austria. MAN has moved the assembly of its M90 medium-weight truck range to Steyr, which produced nearly 4,800 MAN trucks in the 1991/92 financial year. Steyr also holds a market share of around 23 per cent in its domestic

market in Austria. The German group is investing DM320m in the Steyr operations, of which around DM89m was spent last year in part for the building of a new truck assembly line.

MAN Nutzfahrzeuge group capital expenditure has risen rapidly in the

past five years from DM170m in 1987/ 88 to DM395m in 1991/92, with the focus on creating a flexible production network between the five German and two Austrian plants.

After its record performance of the past two years declining new orders in recent months indicate that the coming two years will be much more difficult for MAN. The high level of orders it is still taking for buses, is insufficient to compensate for the

rapid drop in new truck business. Falling new orders from the domestic German market combined with stagnant or declining demand from export markets has led to a 20.3 per cent fall in the value of new orders booked by MAN in the 12 months to the end of June to DM7.2bn. The value of new domestic orders fell by 28.1 per cent to DM4.1bn, while foreign orders declined by 6.5 per cent to DM3.1bn. The value of the order book had fallen by 22.7 per cent to DM3.49bn at the end of June from DM4.5bn a year earlier. In the first quarter of the 1992/93 financial year (July to September) the value of new orders had fallen again by 27.8 per cent to

DM1.3bp from DM1.8bp in the same period a year ago.

The group claims it has been unable to move as quickly as it had hoped to build up a dealer and service network in eastern Germany, often because of problems in establishing land ownership and gaining the necessary approvals. It now has four wholly-owned service centres in principal cities.

In Hungary, MAN has recently signed a letter of intent with Raba, the Hungarian engineering company, and Mogurt, the trading company, to co-operate in assembling trucks. The aim of the deal is for MAN to deliver diesel engines and truck cabs to Raba, chiefly for allwheel drive vehicles exclusively for

the Hungarian market. MAN is also expanding control of its importer/distributor organisation in western Europe and earlier this year it took over the UK MAN truck importing business for £20m from Lonrho, the London-based interna-

tional trading group. The German truck maker accounted for 4.9 per cent of the UK truck market (above 3.5 tonnes) last year, where it is relatively weak compared with its presence elsewhere in Europe. It was only in eighth place in the UK, where it is stili overshadowed by groups such as DAF, Iveco and Mercedes-Benz.

**Kevin Done** 

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BY NORMAL motor industry criteria, ERF should have been one of the early casualties of what is the deepest UK truck market slump since the Second World War.

It is small it achieved an output of 4,319 trucks in its peak year of 1989 and expects to make and sell only around 2,000 this year, during what now appears to be the trough of the recession. It thus enjoys few of the economies of scale of far larger rivals such as Daimler-Benz and Iveco.

Its sole manufacturing plant is at Sandbach, Cheshire, in the far north-west corner of England. It has been heavily dependent on the UK for its sales - and the UK has been by far the most badly hit of all European

ERF is also the UK's last publiclynuoted independent truck company. still family-controlled but nevertheless having recession-rattled banks and shareholders to satisfy and no group narent to draw on for support.

Ten years ago, when the last severe truck sales downturn occurred, it did indeed look as if ERF would not survive. The company was then what chairman Peter Foden describes as a "fruit salad" truck maker, employing large numbers of people to produce tai-lor-made vehicles fitted with almost any type of engine, transmission or axle dictated by the whim of customers.

It was an inefficient way of producing trucks and for which ERF could command little premium. It was also unsustainable. ERF's debts rose; output plummeted; overheads swung. The action taken by Mr Foden then,

underpins its survival now. The model range was streamlined, and standardised around Cummins engines, Eaton gearboxes and Rockwell

AS MIGHT be expected. Germany's reunification has had a profound impact upon Mercedes-Benz, the luxury car and world's largest truck maker. Nowhere within the group's industrial activities have the effects been more keenly feit than in the commercial vehicles sector itself.

Against the background of a 5 per cent drop in total world commercial vehicle output last year. Mercedes increased its own production by 14 per cent to a record 296,000 units. Its worldwide unit sales rose by 12 per cent.

The value of its commercial vehicles sales also jumped by 14 per cent, to DM27.6bn, outpacing the 31 per cent increase in its car sales.

However, with some other important world markets declining, without the German surge it would have been a

At 122,000 units, Mercedes' German sales of commercial vehicles were 44 per cent higher last year than in 1990. Within the total, van sales rose by 42 per cent, those of the trucks carrying the materials for eastern Germany's reconstruction by 49 per cent.

The increases were thus a notable contributor to last year's 12 per cent rise in Mercedes' total turnover to DM67.1bn and the 1990-matching DM1.55bn net income Werner Niefer was able to report to shareholders in his final year as president and chief

He is to hand over to Mr Helmut Werner, joint chief executive, at the end

If Germany underpinned Mercedes performance last year, developments value of its sustained policy of globalisation. As most other western European markets turned down, Mercedes' commercial vehicles sales outside Germany also slipped, again by 14 per cent - but Profile: ERF

# **Eyes on Europe**

axles. It retained its own cab design and manufacturing - having pioneered the non-rusting plastic composite, rather than metal cab - and with the recovery of the mid-90s reaped the benefits. By the time it became evident, in mid-1990, that the present UK sales slump was deadly serious ERF had achieved four years of sustained profitability culminating with a record pre-tax profit of £7.63m in 1989.

Since then, it has been sharply downhill all the way for the entire industry. Even so, after 18 months of losses. and with the market still sliding downwards, ERF managed a small profit in the first half of its financial year to September 1991. Four months ago, Mr Foden was able to report that the fullyear 1990/91 loss of £4.47m had been cut to £563,000 in 1991/92.

That is a function of a work force almost halved once more to around 750, production pared to nine trucks a day on only four days a week, with ERF no longer building for stock.

Because ERF buys in key driveline components, lowering output is primarily a question of turning off the suppliers' taps - done quickly and relatively easily. There is little scope left for reducing overheads further.

With all truck makers still bleeding. such considerations would still be almost irrelevant if ERF were bighly geared and running out of cash resoures. But it is not. Gearing at mid-June was 17 per cent, up from 6 per cent the previous year, and is probably still rising

But this largely reflects increased onbalance sheet leased assets to bring ERF's 16m new product range to fruition - an ambitious project, involving another all-new cab, which will see the renewal of the range over the two years following the 1993 launch.

To compensate for the UK downturn, ERF has been putting extra effort into its traditional overseas markets - largest of which is South Africa - and which in the past year or so have been accounting for about 30 per cent of unit sales, although trucks and bus chassis are mainly despatched in kit form.

This year, however, ERF has decided to take the plunge into Europe, in what Mr Foden describes as "one of the most important steps ERF has taken for many years". Two wholly-owned distribution sub-

sidiaries have been set up, ERF France and ERF Espana - with a third to follow in Portugal - to act as liaison with fledgling dealer networks. The first truck destined for sale in continental Europe was shipped in mid-November. Final contracts with an ini-

tial two dealerships in France and four in Spain were being signed at around the same time. According to Rod England, ERF's sales and marketing director, eight

French dealerships, covering the main conurbations from Paris to Marseilles, should be in place by the end of the

year, with five in eastern and central Spain. All are independently owned, most with other commercial vehicle franchises. Once sales have become established, ERF plans then to turn its attention to Portugal, followed by the Benelux countries.

Mr England says be believes ERF can capture around 2 per cent of Continen-tal Europe's market for trucks of 16 tonnes and over - equivalent to around 1,500 units annually - within the next two to three years.

in theory at least, RRF's timing is fortnitous - it is entering the Continental market helped by a "windfall" devaluation of sterling after its departure from the ERM, although its fall against the franc and peseta is much less than against the D-Mark. "But it's not helped us as much as we

would like", observes Mr England.

because markets have been turning

down in Europe. What it does provide is the flexibility to counter heavy dis-counting by the big guys in Europe."

To the obvious question of why should any Continental truck operator want to buy from a small, in European terms, relatively unknown UK pro-ducer, Mr England retorts that "there are always people looking for some-

Within any country there are people satisfied with the reduction in choice that has gone on as the industry has rationalised, such as Volvo getting together with Renault. So we're saying to people there is a choice - that we're a maker of high quality products that does things just a little differently, with a low cost of ownership because parts are cheap and the vehicles last a long

John Griffiths

Profile: MERCEDES-BENZ

### German success

of the over-six tonnes truck market increasing from 26 per cent to more than 31 per cent.

There was gloom also in the North American market, which dropped by 10 per cent although Mercedes' US subsidiary, Freightliner, was able almost to maintain its own sales volume, at 22,600 compared with 23,000 in 1990.

his global presence meant, however, that Mercedes was able to benefit from the steady liberalisation of the Mexican conomy - accelerated by the North American Free Trade Agreement with the US and Canada - to the extent of a 63 per cent rise in sales to 9,600. At the same time the loosening of Brazil's economic reins gave affiliate Mercedes do Brasil a 33 per cent commercial vehicles sales fillip to reach 40,700.

No-one expected the German surge to last indefinitely. Nevertheless, its com-mercial vehicles market rose by a further 9 per cent in the first quarter and has continued strong, to the extent that Mr Niefer now appears to have been pessimistic in suggesting that total commercial vehicle sales this year analysts, DRI/McGraw Hill, for example, predict that by the end of this year van sales will have risen by another 50 per cent.

In contrast, Mr Niefer's expressed hopes of a recovery in other European economies and markets have been only partially fulfilled. Even so, total sales and output are expected to be maintained at around the levels of a year

In Europe, in particular, and in spite of planned research and development spending of more than DM5bn over the next few years, Mercedes no longer believes that putting competitive prod-ucts into the marketplace is enough.

"More and more, the market is seeking combined product/service packages for specific transport requirements. according to Mr Niefer - with actual ownership of commercial vehicles oming less relevant.

With this in mind, Mercedes has launched in Germany, the UK and several other Continental countries a vehicle leasing venture, Charterway, with contracts based around an agreed transport capacity rather than specific vehicles. With the single EC market in mind,

the company has also developed related EC service arrangements under which truck operators can obtain individually agreed, fixed-price service packages at any of Mercedes' 2,400 commercial vehicle service outlets in Europe through a cashless payment system. These actions have been taken in the

growth in European road transport will continue to be extensive for the foresesable future. Indeed, it is forecasting 40 per cent growth in the volume of transeven though it already accounts for more than 60 per cent of goods trans-port in the region.

In that belief, and working within collaborative EC research programmes

such as Prometheus - aimed at max-imising traffic flows while increasing road safety - Mercedes' research engineers are working on a number of programmes from collision-avoidance radar through to comprehensive route guidance and congestion-avoidance systems The requirement now is rather for

integrated action on the part of all concerned - the manufacturers of the different forms of transport, the logistics industry and also the relevant politiclans," according to Mr Niefer. Despite the hitherto buoyant state of

the German market, Mercedes - like the country's other major leading vehicle makers - remains increasingly concerned at Germany's continually rising production costs and the strength of the D-Mark.

Partly for that reason, and in spite of German plants accounting for more than 188,000 of Mercedes' commercial vehicle output last year - its top man-agement has been placing increasing tress on future growth coming from increased sales and production from what is now a total of more than 50 production and assembly plants worldwide, employing, when output of nearly 580,000 cars annually is included, a total of more than 237,000 people.

Nevertheless, Mercedes is continuing to invest in the expanded Germany: since February last year light trucks have been assembled at a plant south of Berlin in Ludwigsfelde, and, since Sepbled there. Mercedes has, however, been forced to postpone indefinitely a new 40,000-a-year truck factory in Branden-

The commercial vehicle product range itself now totals 200 truck models in more than 2.700 different versions from vans to 48-tonne trucks.

John Griffiths

#### Profile: IVECO

# Declining fortunes

WHEN the Turin automobile group Fiat closes its accounts at the end of December it will not be expecting a positive contribution from its Iveco industrial vehicle subsidiary. Iveco looks set to follow last year's loss of Fli99m (\$111m) on sales of F112.244bn with another negative bottom line. Fiat notes in its half-yearly report that Iveco's sales volome in 1992 has continued to follow the downward trend that began two years ago. The decade, which opened with

has started badly. Yet only three years ago the company was posting record results, closing 1989 with a post-tax surplus of Fi691m on sales of F112.425hm. The second half of the 1980s had seen good performance following heavy losses that had only een interrupted by small surpluses in 1981 and 1982.

1990s' meagre net profit of

Fi23m on sales of Fi11.689bm,

Senior management at Iveco. whose Dutch corporate nationality reflects its trans-border origins, point to three factors that have caused the sharp worsening in the profit and loss account. Essentially a European business, with less than 12 per cent of turnover coming from markets outside western Europe, Iveco has been hit by "falls in production volumes and sales prices due to the market crises".

Last year Iveco invoiced a total of 122,300 vehicles, compared to 125,000 in the previous year. Moreover, the figure for 1991 included sales of 6,600 units by the Spanish Pegaso subsidiary which became part of the Iveco Group last year. But the purchase of a com-

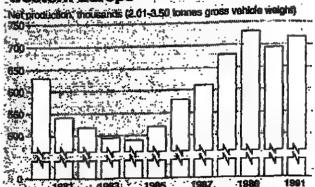
trolling stake in Pegaso did not make a positive contribution to Iveco's financial results. Indeed, senior manement says that it was one of the three factors that caused the worsening recorded last year, the Spanish subsidiary posting a loss of Pta19.738bn (\$173m). In the Pegaso operation, under which it acquired a 60

per cent stake from the INI mish state holding corporation, Iveco continued the strategy of expansion by acquisi-tion that has been a characteristic. Iveco's own establishment in 1975 provided the example, the company being born from the merger between three subsidiaries in Italy's Flat Group (Flat Veicoli Industriali, Lancia Veicoli Speciali and OMO. France's Unic and

Since then, Iveco has undertaken nine operations. These include the purchase of a 48 per cent stake in the ordinary share capital of Ford's truck operation in the UK in 1986. now called Iveco Ford Truck. In addition to its Spanish acquisition, last year Ivees

many's Magirus.

Light commercial vehicles -Western Europe



also subscribed the total issue of preference stock made by Iveco Ford Truck and acquired the UK company Seddon Arkinson with Kness

In Italy Iveco has grown by the acquisition of coach and bus makers Orlandi (1977) and Sicca (1989), the construction truck manufacturer Astra (1986) and the fire-fighting vehicle maker Baribbi this year. An important Magirus activity is fire-fighting vehicles, and in 1987 this had been boosted by the acquisi-tion of Bachert, another west German company.

While forming part of a full model range, fire-fighting, other special vehicles and coaches are not, however, the core of Iveco's business. This is trucks, where over the past two years it has tried to update its range. Indeed, the third factor to which senior management attribute last year's loss are the costs of introducing new models.

Iveco's investment in the EuroCargo range of light 6-to-10 tonne vehicles was rewarded by the Truck of the Year Award last year. The company has focused on technological innovation to reduce running costs, increase reliability and improve driver comfort and safety. Iveco's EuroCargo range offers users a wide choice, with six engines, three cab types, two wheel-bases, four solutions for suspension and three types of rear axle.

Higher up the scale, Iveco has also been updating its models. Earlier this year the company lanuched the Euro-Tech family of heavy-duty trucks. To satisfy the wide range of applications that includes municipal vehicles, and town and suburban deliveries as well as long-distance offers many combinations of engine, chassis and cab. And at the other end, Iveco extended its Daily/Turbo Daily range of light commercial vehicles by starting production of new models. The Daily/Turbo Daily range

has been updated this year. the investment undertaken on this and on the EuroCargo and EuroTech ranges gives Iveco a combination of products that is unequalled. Over the past five years

iveco's investment plan has involved spending of Fishn on fixed assets, research and development, training and new production ventures. The results are evident in the rationalisation of product range and the new models pearing the Ivaco badge. But, notwithstanding man-

agement claims that it has finally been possible to elimi-nate the inefficiencies deriving from the many different industrial histories of lveco's component companies, perhaps more can be expected in terms of plant rationalisation. At present Iveco's 41,300 employ-ces (about 24,000 in Italy) are spread between 21 plants (11 in Italy).

The company's management oints to the prospects of still fiercer competition in an stready tough European market. Range flexibility, product personalisation and quality are deciding factors. So also is cost. Further rationalisation of production would give Iveco, whose sales in the first six months of the year were 3.5 per cent down on January-June 1991, a sharper competitive edge. It would ease the ression on operating margins and help in stemming

Seventeen years ago lveco's founding members, led by Fiat, decided that concentration was the only viable strategy. And Iveco's creation and development has involved a rationalisation process. Per-

significant, step was taken when Iveco Flat changed its name to Iveco. In consolidat ing its single. European image. the Magirus, Unic, Ford Truck and Pegaso names are probably targets for similar treat-

David Lane

**Anthony Robinson** on the eastern European industry

# West closes the gap

initely plans for a DM1bn truck plant at Abrensdorf in former east Germany underlined both the high cost of making trucks in German plants and a far more cautions assessment of future growth in

the European truck market. But it also sent shivers of apprehension wider afield, and especially in Czechoslovakia where the German truck maker's plans to take a significant stake in two of Czechoslovakia's three big truck producers, Avia and Liaz, have still not been finalised

This is partly a reflection of deals following the June elec-tions and pre-occupation with the forthcoming divorce between the Czech lands and Slovakia. But it also reflects government reluctance to grant the tax concessions and set up the tariff barriers sought by Mercedes to protect its investment. There has been no hint that a deal will not eventually be signed, but the prospect of lower than expected sales in both eastern and western Europe has certainly reduced the urgency.

Mercedes announced its intention to take a 31 per cent stake in Avia, Czechoslovakia's principal manufacturer of small trucks, followed by a 20 per ceut stake in Liaz, the main producer of heavy, onroad trucks in January. The statement followed an 18month competition with Ren-ault Véhicules Industriels (RVI) for Avia, and competition with Iveco of Italy which was interested in taking a

Tatra, Czechoslovakia's famous producer of heavy offroad vehicles. But a planned Iveco-Tatra link has been put on hold. The original plan was to invest an initial \$20m in a 51 per cent joint venture.

Iveco's interest in Tatra is part of a long-term strategy to develop its presence in the heavy, off-road truck niche which the Italian company sees as an area with big growth potential

Demand for heavy duty vehicles suited to harsh terrains and bitter temperatures

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is expected to rise dramatic gas exploration rises in the former Soviet Union, Robust vehicles such as these will also be needed once long neglected infrastructure, mining and other resource projects get The timing of such a recov-

could be sooner rather than later as the privatised Russian economy, and other resourcerich republics like Kazakhstan, build up a growth nomentum and open up to foreign investment. Tatra already has an enviable reputation throughout the former Soviet Union and

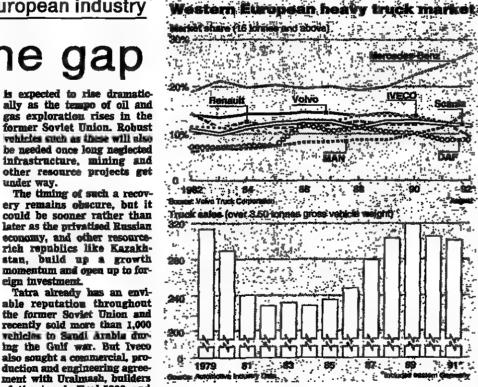
vehicles to Sandi Arabia during the Gulf war. But Iveco also sought a commercial, production and engineering agree-ment with Uralmash, builders of the tough Ural-5323 and other off-road trucks. The deal with Uralmash,

based on President Boris Yelt-

sin's former power base of Yekaterinaburg, (formerly Sverdlovsk) should give Iveco access to the Uralaz plant at Miass, near Chelyabinsk. This neans a production base close to the Urals mining and industrial areas as well as the oil. gas and mineral-producing areas of Siberia, precisely the main growth markets for offroad trucks. Under the agreement Iveco proposes to assembie a specially-adapted "arctic" version of its Iveco-330-30 at the Misss plant and help to

develop future Uralaz vehicles. Meanwhile, Renault, frustrated in Czechoslovakia, shifted its focus to Poland, where it is exploring the pros-pects for assembling and producing trucks and delivery vans at the Star plant in Starachow-

Star, which at its peak October, it announced a joint



munist-style vertically inte-grated enterprise in a typical one-company town. It had its own steel works and foundry and dozens of inter-connects feeding into the main factory. Its market virtually disappeared overnight as state enterprises and its military customers ran out of money. Private entrepreneurs, mean while, opted for lighter and more fuel efficient imports.

Renault, too, is seeking tariff protection and other guarantees before converting the plant to produce the vans and light vehicles now in demand. The question of tariff protection is becoming the deciding factor in the approach of smaller truck companies. Scania, for example, originally planned to sell trucks into the

eastern European market from

its Swedish base. Instead, in

of Poland to assemble R113 and RI43 models near Klupsk, close to the Builtic coast.

But not only truck makers have been seeking to expand their markets. Eaton Corporation of the US is promin among western component manufacturers seeking future markets in Russia and the former Soviet Union. Some, like Cummins

engines, the world's largest independent diesel engine manufacturer, have already taken the plunge. Last year Cummins signed a long-term joint venture agrement, Kamazdisel, to produce engines at the Kamaz plant.

Through these, and a host of other joint ventures, licensing agreements and other ways, western truck makers and suppliers are starting to change the shape of the industry in the east, and busy filling what was once the biggest gap in the emerging global market

including social security, a tax, which would be based on vehicle registration and taxation come under the jurisdic-

country.

tage in the EC and they still have not solved the problems of vehicle taxation. Nevertheless, when you consider what has been done in the last few years after years and years of stagnation, a great deal of progress has been made," says Mr Reg Dawson, a leading EC transport consultant.

Still far from clear is the effect that the likely eventual On the one hand, deregula-

tion is expected to result in considerable rationalisation of the European road haulage industry, suggesting fewer customers for commercial vehicle manufacturers. Conversely, though, survivors of the anticipated shake-out will need more vehicles to support their expanding operations.

Crucial to the full deregulation of EC road haulage activities is the issue of cabotage the right of hauliers from one EC country to freely operate inside another state.

tion of the operator's home

otage made little progress until mid-1990 when the European Council of Ministers finally agreed to its introduction in a very limited form. Basically, that system makes available a quota of cabotage authorisa-tions - just under 17,000 for 1992 - distributed among the member states.

age industry had hoped that initial moves on cabotage would lead to its full introduction in 1993. But vested national interests have slowed down such development. Some EC countries, notably Germany and France, fear their domestic haulage industries could be badly damaged by a sudden influx of competi-

where operating costs are For that reason. Germany in particular has insisted on linking the issue of cabotage with moves to harmonise hauliers' costs, for example through vehicle and fuel taxes. throughout the Community, Germany also wants to see the establishment of a common system for tolls and road-user

EC transport ministers in October made some further progress on harmonising road taxes. However, the Commission's published proposals do not suggest any minimum or maximum charges. Instead, individual member states would set their own tax levels.

many, which want to set higher charges, and poorer member states who fear that implementing such taxes would badly damage their Industries

agreement on the subject of cabotage. Specifically, time is running out on a controversial European Court ruling that if the ministers fail to agree a timetable for full cabotage by the end of this year, there must be complete cabotage freedom from 1993. Detailed proposals on the subject are expected to be ready for discussion at the next European Council meeting in early

Having had a deregulated road haulage industry for some 20 years, the UK is one of the countries most in favour of deregulating and harmonising operations throughout the EC.

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However, the UK remains out of step with the rest of the

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Phillip Hastings discusses EC deregulation plans

# Obstacles to progress

was updated in 1989 and the

range for off-road applications

deregulate European Community road haulage operations have had a bumpy ride over the past couple of years. But while full deregulation

will not be achieved in time for the formal creation of the EC Single Market at the end of this year, there are signs that the remaining obstacles to further progress are slowly being "We do not yet have cabo

liberalisation of BC road haulage activities will have on future demand for commercial

Vehicles engaged in cabotage work are subject to many of the regulations of the state where the work is carried out. But that situation is itself causing complications, For example, while the host country's laws apply to issues such as pricing, contracts, vehicle weights and dimensions, work and rest hours, other matters

The exablishment of BC cub-

Supporters of full deregulation of the European road haul-

tion from outside countries such as Spain and Greece

charges for heavier commercial

The German authorities appear to be winning the argument over the need to harmonise haulage industry costs within the EC. The European Commission has within the last couple of months put forward a proposal which, if accepted, could mean that hauliers have to pay a road tax for using the Community's motorways from January 1994. The Commission claims such

the size of vehicle and the time spent on the road, would allow member states to recoup some of the costs of building and maintaining road infrastruc-The most recent meeting of

That absence of a standard tax figure, it is feared, could lead to continuing disputes between countries such as Ger-

Meanwhile, pressure is growing on EC ministers to reach

Community on the subject of vehicle weights. While other EC countries allow trucks of 40 or even 44 tonnes on their roads, the UK has a limit of 38 tonnes and a derogation to continue with that limit until 1999.

JUA ins. 150 Wast JeBerson Avenue, Suite 1710, Detreit, Michigan 48226, USA Telephone: (1) 313 961 7867 Facelmile: (1) 313 991 7856 ARCG ice, south of Warsaw. turned out 14,000, 11-tonne venture project with Kapena

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The sector is starting

to benefit from the 1990

Clean Air Act

fixed costs have contributed to

the company's woes, but its main problem stems from steep

medical benefits for retired for-

mer workers. The company,

business years ago, is in the middle of a legal battle over

the healthcare benefits it is

still paying former Interna-

tional Harvester employees.

which left the farm aquimmen

# Signs of the long-awaited recovery

AFTER several years of hoping in vain for a reversal of slumping sales, there are signs of the long-awaited recovery in the US heavy truck industry.

Demand for class eight vehicles was surprisingly strong through the first balf of this year, with truck sales for Paccar, Navistar, General Motors and Ford at their highest levels in three years and overall new truck orders coming in at an annual rate of more than 120,000 units. This compares with a decline of 22.3 per cent in sales of class 8 vehicles for the first nine months of last year. Indeed, 1991 was the worst year for heavy truck sales since 1983.

with only 98,730 units sold.

One reason for the improvement, according to Runzheimer International, a company which tracks the transportation industry, is that fleet managers are trying to reduce maintenance costs by replacing trucks at shorter time and

Heavy truck sales are expected to receive a further boost in the next few years from the Intermodel Surface Transportation Efficacy Act to modernise US highways, which is expected to stimulate the weak construction market.

mileage intervals.

The sector is also starting to benefit from the 1990 Clean Air Act, which calls for tighter

emissions standards by 1994.
Fleets have started to replace
older vehicles with more modern trucks which comply with
the new standards.

While the Clean Air Act should stimulate sales even further next year, it is not expected to be a panacea for all the industry's problems. Indeed, the impact of the Clean Air Act may be less dramatic than initially expected because engine makers can now do incylinder modifications which are less expensive than replacing entire vehicles.

The US heavy truck industry continues to be plagued by over-capacity, with manufacturing capacity estimated at more than twice the rate of sales. This excess is the legacy of the 1980s when it was believed that retail sales in the US would never slip below the 100,000 level and projections called for annual sales ranging from 125,000 to 135,000 vehicles. Competition among heavy

Competition among heavy truck makers also remains fierce, in a sector where six players control between 9 to 30 per cent of the market.

Navistar is still the biggest player in the North American market, with a combined market share of 29.3 per cent for

heavy and medium trucks.

In spite of its commanding ruptcy.

The picture is less bleak at

market share, Navistar is Mack Trucks, a wholly-owned struggling to survive. The comsubsidiary of France's Renault pany has not posted an annual Véhicules Industriels (RVI). profit since 1989, and it is which accounts for about 11 expected to remain in the red per cent of the North American this year, with a nine-month net loss of \$182m, or \$1 cents a market. Mack has undergone an overhaul since Renault share, including special acquired full control of the company in October 1990 and Navistar's vertical integra-Renault recently said Mack tion, and the resulting high

was seeing a revival in demand in North America.

Paccar, with about 21.4 per cent of the class eight market, remains one of the strongest players in the North American heavy truck market thanks partly to the quality and dependableness of its heavy trucks. The company, which makes Peterbilt and Kenworth trucks, saw third quarter profits rise 7 per cent to \$18.2m, or

54 cents a share, on revenues

which grew 19 per cent to \$683.6m and its full-year earn-

ings are expected to exceed

1991's figures.
But it is the light truck segment that remains the bright spot of both the US truck and car industries. At a time when new car sales are expected to be static, fourth quarter production of pickup trucks, mini vans and sports utilities is expected to jump nearly 19 per cent to 1.05m.

The so-called "baby boom" generation can take credit for

the surge in light truck sales by choosing to use utility vehicles and vans as family cars instead of the traditional station wagon.

Ford has benefited from the popularity of its Explorer sport utility and Chrysler has gained from the strong sales of its minivans, which are officially classified as trucks although they are mainly used as cars.

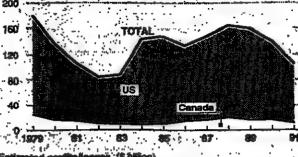
The pickup truck segment now accounts for close to 48 per cent of the light truck market, with sales expected to reach 2.2m this year.

US manufacturers now face their biggest challenge in the full-size pickup sector. In contrast with the compact truck market, which was largely developed by Japanese manufacturers, the big three US vehicle makers have always controlled the full-size pickup sector. Ford and Chevrolet's full-size pickups are the best selling vehicles of any type in the US

Toyota, which has been sying the full-size pickup market since the mid-1980s, is finally moving into the arena this year. In an attempt to forestall anti-Japanese sentiment, the new Toyota pickup is slightly shorter than the Ford models and has a V-6 engine instead of the more powerful V-8 engine found in most full-size pickups. Toyota will have to contend with the more conservative nature of US pickup truck drivers, but in the long term it will probably put pressure on US producers in this extremely important sector.

Warket share (class 8, over 15 tonnes)
30%
Narvistas
Freightliner (Mercedes-Benz)

Volvo GM





Navistar's newest 9200 heavy truck model

Profile: NAVISTAR INTERNATIONAL

# One-time jewel in the crown shows up flaws

LEGENDARY financier J.P. Morgan would certainly blink if he saw the balance sheet of Navistar International, a slimmed-down version of the former International Harvester, once a jewel in Morgan's turn-of-the-century corporate empire. The company, having eluded bankruptcy in the mid-1980s, is once again on the financial brink.

Battling five-year cumulative losses, Navistar sold off the Harvester name and its prestigious line of agricultural machinery in 1985. The ambitious restructuring saved it from bankruptcy; and its surviving core businesses of heavy- and medium-weight truck and engine manufacturing were projected to carry it to solvency.

However, seven years after the overhaul, the company is still dogged by losses and is

The core of Navistar's financial difficulties do not rest with its day-to-day operations,

which are in fine shape

rogres

locked in negotiations with the United Autoworkers' Union over benefits for retired employees that it contends could push it into bankraptcy. Chicago-based Navistar reported its eighth consecutive quarterly loss last month, an outflow of \$50m, or 13 cents

per share, on sales of \$920m.
With a whopping 251m shares outstanding, those sales translate into little more than \$3% for each share. Navistar's stock has not traded over \$5 since 1969, and is now about 11 a thare.

The core of Navistan's financial difficulties do not rest with its day-to-day operations, which analysts agree are in fine shape. The class eight heavy truck market, of which Navistar holds a 20 per pent market share, is pulling out of recession with gusto, and is projected to grow by about 20,000 units in 1993. Heavy truck assembly comprises about 40 per cent of Navistan's hustness.

The medium-truck market is still flat, with 1993 industry sales projected at about 95,000 units, Navistar commands about 30 per cent of that market, which represents about 40 per cent of its business. Included in the medium truck class is Navistar's school bus chassis business. Navistar produces two thirds of all the school bus chassis manufactured in North America. However, the sector has been dented by recalls and weakness in municipal budgets, and is expected to recover more slowly from the recession than other truck lines.

Sales of Navistar's truck engines have increased steadily, and have benefited from a recent Mexican expansion, and a \$190m a year commitment to production research and development.

The development programme has kept Navistar's truck engines in the forefront in terms of fuel consumption as in production efficiency. "Navistar has good products, and their engine technology is as good as anyone's," says Robert McCarthy, a securities analyst with Chicago-based Duff and Phelps. "In terms of the products they present to the marketplace, they are extremely competitive."

However, decisions during

the 1986 restructuring are bleeding red ink on to Navistar's bottom line. To trade off its big international Harvester units, executives agreed to have Navistar retain responsibility for all of International's former workers' retirement and health benefits. As health-care costs have escalated in the US, the company has been swamped with pension bills and related costs. The pension burdens increase operating costs by about \$150m a year — costs not shared by its competitors.

Securities analysts say that sum, ploughed back into income, would equate to 50 cents a share each year.

In its pared-down condition, Navistar supports three retired workers for each of its active workers. A decade of downscaling has reduced the company's workforce to 13,000, from 100,000 in 1980.

The realities of that ratio have caused John Horns, Navistar's president, and James Cotting, the firm's chief financial officer, to seek to reduce the level of health care and other benefits it provides to former workers. By asking employees and retired workers to contribute some of their healthcare costs, they expect to achieve annual savings of

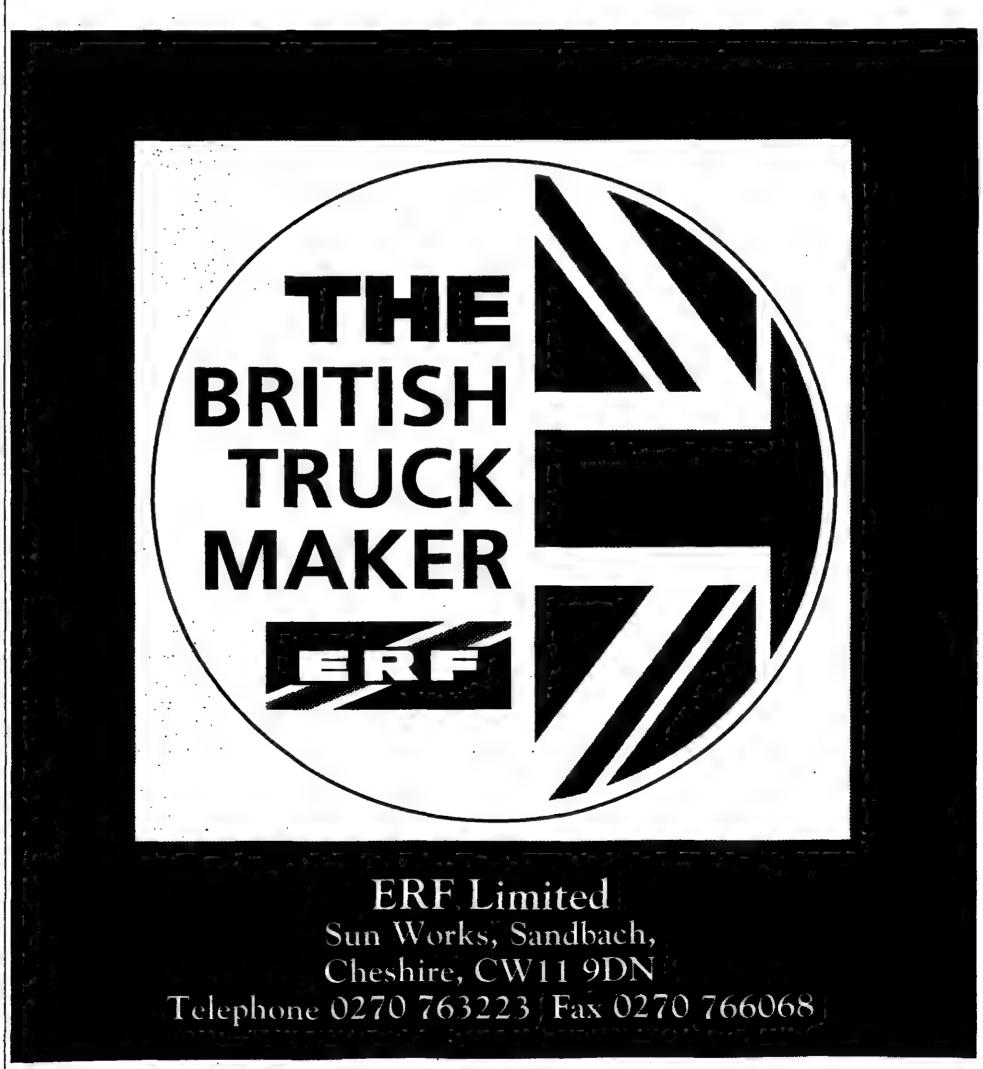
The alternative, they have said in court filings, is bank-ruptcy, and the loss of the company's remaining jobs as well as retired workers' pension benefits.

While declining to comment directly on the case, Mr Cotting noted that to remain competitive, a company must focuon productivity. "If you're not servicing your customers or supporting your people who do, you simply can't afford to be in business any more," he

When first proposed in July, the reduced henefits were strongly opposed by unions representing Navistar's workforce. However, by October the powerful United Auto Workers' Union had agreed to negotiate, with both sides aiming for a resolution by early December. The union has also agreed to open the terms of its master contract for aristing

Mr John McGinty, securities analyst for the investment firm First Boston, sees the talks as a potential landmark. If Navistar is successful in obtaining union concessions on healthcare and pension issues, the repercussions would reach far beyond its own workforce, and deeply influence contract negotiations for autoworkers in Detroit next year, he said.

Laurie Morse



Alan Bunting looks ahead at the development of new products

# An exhausting programme of technology

ENVIRONMENTAL legislation has become the most powerful influence on truck technology and will remain so, through to the year 2000 and beyond. The challenge for manufacturers is one of complying with progressively-tougher exhaust emission and noise limits, while remaining competitive on wehicle cost, fuel consumption and performance.

Though environmentalists might argue otherwise, making trucks quieter and cleaner does little or nothing to enhance their appeal in the eyes of today's recession-battered transport operator, whose concerns are more than ever cen-tred on costs and vehicle pro-

If truck operators lived in a world where fuel consumption, vehicle price and payload (carrying capacity) were of no consequence, then cutting noxious emissions to the levels being demanded under so-called Euro 2 and 2 legislation in 1996 and

1998/9 would be simple. But new technology is needed to clean up the diesel engine without incurring those (NOx) and particulates are the two most critical noxious exhaust constituents subject to legal limits. At present, moves to reduce NOx lead to heavier fuel consumption and/or

reduced engine power. At the same time, formation of particulates (visible as black exhaust smoke) is increased. They can be readily removed from the exhaust using a filter, albeit a heavy, bulky and expensive unit, in which the deposits are periodically burned off harmlessly at high

But diesel technology is moving ahead at such a pace that many manufacturers expect by the end of the decade to be offering engines which need no aftertreatment (exhaust filters or catalytic converters) to meet

And those turn-of-the-century engines will match the performance and fuel efficiency of today's diesels.

In the forefront of such company Cummins, which builds engines in the UK, and Scania of Sweden. They have joined forces to develop an allnew diesel fuel system called HPI (standing for high pres-sure injection). It will raise peak injection pressures, from today's typical 1300bar, to 1700 or even 2000bar (30,000psi). With HPI, injection will start later in the cycle and finish earlier, enabling both NOx and particulates to be reduced.

Using the established Ameriactuated injectors, HPI will fea ture a new method of electronic injection control. designed to overcome the leakage and injector bursting prob lems which would otherwise result from such ultra-high fuel pressures.

Meanwhile, Mercedes-Benz is involved in a parallel fuel system research collaboration with another US engine maker Detroit Diesel. Less radical technology will be applied than in HPI; further refinement of Detroit's present DDEC electronically-controlled injectors is the most likely path of devel-

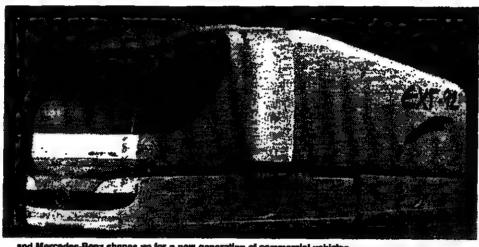
In the wake of the agreem with Mercedes, Robert Bosch,

Turn-of-the-century engines will match the performance of today's

Europe's near monopolistic diesel fuel system supplier, has taken a 49 per cent stake in Detroit Diesel's research com-

Nevertheless, Bosch's own German-based research and development programmes continue, with emission law compliance central to them





Meanwhile, traditional European diesel fuel-injection systems, in which the injector is opened hydraulically, con-tinue to be developed. For diesel makers wanting to meet Euro 2 emission laws, without the virtually total engine redesign needed to accommodate or DDEC, Bosch will be supplying its new RP 39/43 sleeved-element pumps which feature electronic control of injection timing and fuel tering (quantity).

Constrained by an inherent injection pressure limit of about 1300bar, their installation will mean, for the same low emission levels, say the proponents of HPIx, a greater fuel thirst. On one trend all truck and bus builders agree: more electronics are inevitable and not just on engines. Interactive electronic cou-

semi- or fully-automated gearchange systems, and anti-skid and anti-whoelspin systems are aiready the subject of exten-sive road trials. Safety as well as vehicle operating efficiency are driving such developments, as commercial vehicle manufacturers struggle to endow

On one trend all truck and bus builders agree: more electronics are inevitable

their products with a more positive image in the eyes of a

Electronic control of compressed air-powered truck brake systems has been under decade. It promises higher safety standards, specifically on the longest trucks and

the driving test cycle on which exhaust emissions limits are

The US "transient" test cycle

is more stringent than the low-

speed test cycle used to set RC

standards and more accurately

reflects modern day driving

The UK, often in the past seen as a laggard on vehicle exhaust emissions, pressed

unsuccessfully for a revised

cycle to be incorporated in the upcoming EC standards. But at

least a proposal to introduce the transient test is now on the

agenda for discussion of yet tighter EC emissions standards

intended to be introduced for

trucks in 1999. The 1995/96 standards aim

roughly to halve pollution caused by large diesel trucks and buses by reducing emis-

sions of carbon monoxide, nitrogen oxides, gaseous or

solid particles of burned fuel.

"unburnt" hydrocarbons and

buses, where the compressibility of the air in pipes running from the driver's brake pedal to actuators on the rearmos axie create a built in delay. A
"brake by wire" system can
eliminate that piping, each
brake actuator being fed via an adjacent air reservoir and solenoid valve.

Unfortunately, progress is inhibited by the need for both halves of articulated tractortrailer combinations to be equipped for electronic braking. In a big fleet that hampers interchangeability and hence operational flexibility.

Given most truck operators conservative, even sceptical, view of electronics - espe cially the thought of them applied to often neglected and abused trailers - it is hardly surprising that "braking by wire" has been greeted less than enthusiastically.

John Griffiths examines tougher regulations on emissions and noise

# Quieter and cleaner roads ahead

BELATEDLY, Europe has These changes, however, repre-begun to follow North America sent only stage one of a twoalong the road to a quieter and less polluting truck and hus population for the 1990s.

It is doing so because of an EC directive issued last year reducing the amounts of gascous and particulate pollutants commercial vehicles over 3.5

Because noise Is also regarded as an environmental pollutant, further legislation eans that heavy commercial vehicles are destined to become quieter as well.

New models of trucks produced since July 1 this year have had to emit fewer exhaust

pollutants than their predeces-

From October 1 next year all new trucks produced, even those designed and developed before the legislation was drawn up, will have to comply with the tighter rules.

21 January 1993

19 May 1993

3 July 1993

23 March 1993

15 September 1993

3 November 1993

sent only stage one of a twostage process and can be com-piled with relatively easily by truck makers because they are based on Brussels's assessments of short-term environ-

the second stage, will see Europe's standards for truck exhaust emissions brought into line with those due to become applicable to trucks in North America for the 1994 model

US emissio	n limits fo	r heavy	duty vehic	:les*
	1987	1988	1991	1994
Carbon monoxide	15,5	15.5	15.5	16.5
Hydrocarbons	1.3	1,3	1.3	1.3
Nitrogen oxides	10.7	6.0	5.0	5.0
Porticulator	_	0.8	0.25	0.1

readily available technology. A much bigger problem is stage two, which will apply to all new models of diesel trucks production one year later.

The emissions limits, in

terms of grammes of pollutarits

Motor Industry Surveys

Second Cars

For further information please contact

- Richard Willis on 071-873 3606

FINANCIAL TIMES

rules in the world. The stan-dards will also bring the EC into line with Switzerland and

Vehicle Fleet Management

World Automotive Suppliers

Commercial Vehicle Industry

**Executive Cars** 

The Car Industry

They are unlikely to be quite

so effective in EC countries, however, because EC ministers have not yet agreed to revise

The main targets of the legis-lation are acid rain-causing oxides of nitrogen and the par-ticulates, which some research The Financial Times indicates are carcinogenic. As part of the 1991 EC directive, there are also new lower limits on particulate emissions proposes to publish the specifically due to be applied to new trucks from January 1

> tough to require particulate traps. The 1995/6 standards are likely to require substantial changes to truck diesel engine technology if they are to be

> next year; however, the limits are not regarded as sufficiently

From October 1 next year ali new trucks will have to comply with the tighter rules

According to Ricardo Group, the UK-based engineering consultancy which works on engine projects for most vehicle makers world-wide, the US 1994 standards continue to represent "one of the greatest challenges facing the truck

industry".
To meet them, truck manufacturers and the leading independent engine producers such as Cummins Engine are having to resort to advanced technology such as multi-valve cylinder heads, a variety of electronic control systems, exhaust catalysts and "traps" to capture and subsequently burn off

1996 legislation will also lead directly to the introduction of improved quality diesel fuels, which under another draft EC directive must have its sulphur content reduced to meet the lower limits on particulate emissions. Sulphur is the main culprit in the generation of

But the US itself is not

The US industry has already achieved a strong research and development momentum from a tightening of US standards which took effect in 1991 and which cut the permissible NOx level to the present 5 grammes from 6. They were able to meet the tighter standard by rede-signing engine combustion chambers and platons. Federal legislators now

Federal legislators now envisage reducing pollutant levels further from May 1998

envisage reducing permitted pollutant levels further from

May 1996. California, always the first to tighten the environmental screw, plans to demand such a

cut four years earlier.

Trucks with a gross weight of up to 26,000lb are targeted to reduce emissions by 50 per cent from a 1994 baseline, and by 30 to 50 per cent if it can be shown that a higher reduction is not technically achievable. according to the Motor Vehicle Manufacturers' Association. Part of the solution may lie in the use of alternative fuels such as methanol, which are already undergoing fleet test

The US industry, in conjunction with the Southwest Research Institute, has now launched an international cooperative industry research programme aimed at meeting likely end-of-century stan-

The Clean Heavy-Duty Diesel Engine programme aims for a 2-gramme NOx limit, 0.1 grammes of particulates and 0.5 grammes of hydrocarbons per brake horsepower hour.

Leading engine manufacturers taking part include Caterpillar and Navistar of the US, Hino, Isuzu, Mitsubishi and Nissan Diesel of Japan, and Volvo of Sweden, and the programme will run until 1995.

JAPAN

# Sales bubble of the 1980s bursts

JAPANESE truck makers, his by the downturn in the country's economy, are now hoping programme will prop up demand. The cut in capital spending by Japanese companies has caused truck sales to plummet, and the end of the construction boom has added to the gloom.

Purchases of highly-priced products have been cut sharply, and sales in medium and large trucks have been the hardest hit in the vehicle market. The lengthy life span of commercial vehicles is also

hampering demand growth.

The 4 per cent decline in corporate capital expenditure for the present fiscal year is hurt-ing truck sales. Large truck sales for the first 10 months of this year have fallen 20.3 per cent to 139,707 units from the previous year. For the full year, sales are expected to be about 150,000 units, down sharply from the peak of

Profits for the truck makers have been hit accordingly. Hino, the industry leader, with about 30 per cent of market share, said net profits for the first six months to September plunged 66.8 per cent to Y1.64bn. Nissan Diesel fared worse, posting a net loss of

In the boom years of the late 1980s, the sharp rise in demand from construction, real estate, and trucking drove up sales for truck makers. However, the construction industry is likely to see more than a 10 per cent fall in orders for the present fiscal year, and the transportation industry is also experienc-

ing a slowing in demand. Hino, however, says it expects the government's public works spending programme, which is part of the emergency economic package to boost sales. Last August, the Japa-nese government announced a Y10,700bn emergency spending package to support the falter-ing economy, the bulk of which is to be spent on public works. Hino says that the public works programme will increase demand by some 20,000 units

for the industry next year. Mr Jonathan Dobson, motor industry analyst at brokers Jardine Fleming in Tokyo, has his doubts. He says an increase in public works spending will demand from construction companies, since the life cycle of a truck is about 10 years. bought during the bubble, and companies will bring those into

	Japanese m	otor vehick	product	ion		
Trucks Buses						
	Units	% change*	Units	%_change		
1982	3,783,218	-7.8	56,990	-34,9		
1983	3.903.823	3.2	55,944	- 16.5		
1984	4,319,538	10.6	72,209	29.1		
1985	4,544,688	5.2	79,591	10.2		
1986	4,407,588	-3.0	42,342	- 48.8		
1967	4,308,100	-2.3	49,987	18.1		
1985	4,443,994	3.2	57,413	14.9		
1989	3,931,255	~11.5	42.074	26.7		
1990	3,498.639	~11.0	40,185	-4.5		
			4			

Represente change trum previous year Source: Japan Automobile Menufactariere' Associato									
Jay	panese new r	notor vehicle	registr	ations'					
	Try	ucks	В	USGS-					
	Livilia	% change <sup>2</sup>	Units	% change					
962	2.201.366	- 1.6	21,793	-4.8					
983	2,226,396	1.1	20,310	-6.8					
984	2,320,838	4.2	20,267	-0.2					
985	2,431,178	4.7	21.570	8.4					
986	2,540,174	4.5	21,617	0.2					
967	2,721,581	7.1	22,018	1.9					
980	2.980,103	9.5	23,542	0.0					
989	2,829,394	-5.1	23,530	-0.1					
990	2,649,909	-6.3	24,925	-5.9					
201	0 692 790	-0.6	22 706	-45					

use rather than buy new ones." Additionally, most of the trucks are operated by nonconstruction-related private the rise in exports. companies. And since 70 per cent of vehicles engaged in construction-related operations work for the private sector, which is not expected to recover for another few years,

leading maker of speciality vehicles, such as dump trucks, Truck makers have turned to overseas markets, especially in

south-east Asia

the truck companies projec-

Shin Maywa Industries. a

tions may be over-optimistic.

concrete mixers, and tank lorries, says although public works projects are definitely a positive indicator, the effects will take some time to filter through "We probably won't feel the impact this fiscal year," says Shin Maywa.

Meanwhile, truck makers have turned to overseas mar-kets, especially in south-east Asia and the Middle East. Hino saw a 52 per cent rise in exports for the first half, especially in Thailand, Taiwan and Indonesia, while Mitsubishi per cent due to strong demand from Saudi Arabia and Iran.

With the anti-inflationary policies through high interest rates eased in Thailand and Indonesia, truck makers

south-east Asia has bottomed out. The reconstruction of Kuwait is also contributing to

However, the rise in exports has not been able to compensate for the fall in domestic sales. While increases in exports to China, India and Pakistan may hold potential business opportunities in the longer run, truck makers admit in the short term, profits will not be covered simply by

exports.
The environmental issue is also pressuring profits, as the series of government regulatrucks planned to start in 1994 is forcing companies to increase spending on research

Most truck companies agree that times are hard, and meny, including Hino, are looking to diversify into other industries. Mr Koji Endo, analyst at SG Warburg Securities in Tokyo, says while the government's public works spending will provide underlying support, the industry may not see a fully-fledged recovery until 1996.

One bright spot for commerto the environmental theme. The surge in the country's gar-bage waste has pushed up demand for garbage trucks. Shin Maywa says sales over the next few years are expected to rise by a stable 5 per cent.

**Emiko Terazono** 

**Profile: HINO MOTORS** 

# Export path through industrial recession

HINO MOTORS, Japan's leading truck maker, is earn-

However, its net profits for the year to March 1992 fell 41.1 per cent to Y7.35bn, and in the first half of the current year profits slipped again by 66.8 per cent to Y1.64bn.

As a 0.5 per cent return on Y307.2bn of sales, profits are dismal. Yet with rival makers Isuzu and Nissan Diesel both in the red, Hino is in relative terms roaring through Japan's

industrial recession.

What is helping see Hino through hard times are the decades during which Hino carefully cultivated markets throughout the rest of Asia; where unlike Japan, North America, and Europe, most economies are still thriving. Asia takes some 60 per cent of Hino's exports and the comparative sales figures for Japan and the rest of the world are striking.

Hino's sales of medium- and large-scale trucks at home fell from 28,511 units in the first half of the last fiscal year to 20,030 this year, and Hino expects a full year decline of 24 per cent. The value of sales in the first half was off by 24 per cent to Y81.73hn.

Yet overseas was a different story. Exports of medium and large trucks rose from 10,065 units to 13,011, with most of the increase in the more costly heavy trucks. As a result export revenues from these products rose by 52 per cent to Y40.69bn.

The stunning rise in export sales was in the end not enough to compensate for the slackening of the Japanese market, and total sales were down by 2.5 per cent. Yet Hino's strong export business has provided it with an invaluable

assembly plants working more or less at full capacity. Hino has taken some steps

to trim costs. It is, for example, trying in three years to reduce by 30 per cent the 3,000 different vehicle types that it now offers to its customers. Yet it has not been forced, like some other leading manufacturers, to cut back drastically on part-time labour, or to cut directors' salaries.

In the first half of the year, truck sales to Taiwan rose by 90.3 per cent to 4,062 units both because of the buoyancy of the economy, and because the government introduced regulations to prevent overloading vehicles, forcing fleet operators to enlarge vehicles fleets to maintain capacity. Sales to Thailand shot up by 42.4 per cent; to Hong Hong 85.6 per cent, while sales to China more than doubled.

Perhaps even more important, the outlook for economic growth in the Asian region as opposed to most of the developed world and the for-mer Seviet bloc - continues to look very strong. Hino is doing business in the right place, and can look forward to contimed buoyant export sales.
At thine, legant is unlikely for a long time to provide the kind of growth seen in the late

1980s. Yet there are some favourable signs. The government in late August announced a Y10,700bn package of emergency economic measures aimed at boosting the economy, and much of this money will be spent to increase public works spend-

ing, including construction.
Hino estimates the package will increase demand for trucks by some 5,000 units this fiscal year. The impact next year could be larger. Hino has also been holding

from last year, with the share of large trucks up 2.4 percentage points to 31.9 per cent while medium trucks were down by 1.8 percentage points to 27.3 per cent. The rise in the market share for large trucks was partially the result of a full model change in May.

Hino's business is also anderpinned by a close rela-tionship to Toyota, Japan's largest and financially stron-gest car maker. Toyota is Hino's largest shareholder with an 11.2 per cent stake, and in the first half of the year consigned production of 178,720 vehicles, worth Y122.6bu, to Hino. Hino's production of Tercel. Corsa, and Corolla II models were down, but production of Hilux, the small commercial vehicle, rose. In spite of an underlying

strong business, however, Hino profits have suffered for fundamentally the same reasons that profits have fallen in Japanese industry. For one, Hino's capital investment nearly doubled in two years to peak at Y42.1bbn last year.

Although this year it is bud-geted to drop to Yasbn, Hino is paying heavy depreciation arges on earlier investments at a time when sales, and, therefore, prices, are stack.

Hino is also paying sharply higher distribution costs, and wages have also gone up significantly. Lower interest income, and sharply higher interest payments on bonds has also undermined non-operating profits.

As a result, in spite of anderlying strong business and no real financial difficulties, Hino will have to wait to see any significant improvement in financial performance.

Steven Butler

#### SECTION IV

Monday November 23 1992

The three eastern regions of Champagne-Ardenne, Lorraine and Alsace illustrate in vivid microcosm the challenges and opportunities facing modern France, reports William Dawkins

# A cultural melting pot

GROUPING together 5.2m inhabitants, more than the entire population of Denmark, the three eastern regions of France are getting to grips in their different ways with the competitive challenges thrown up by the country's central role in Europe. The big issues facing eastern France today are as diverse as its geography, which stretches from the fertile hills of Champagne. through the remote forests of Les Vosges mountains to the industrialised Rhine valley.

They include the problems

faced by the huge cereals farms of the Marne as the reforms of the European common agricultural policy begin to bite; the impact of recession on the champagne industry; Lorraine's attempts to modernise its industrial base after heavy job losses in its steel, coal and textiles industries and Alsace's bid to forge closer links with its German regional neighbours on the east bank of the Rhine, as this pivotal region exerts increasing autonomy from Paris.

These challenges do, however, have one thing in com-mon. They are all linked in one way or another with the obligations and opportunities thrown up by European Community membership, an issue which rons especially deep in a part of France that provides the physical and cultural link with northern and central Europe.

"We are at a crossroads, not just of motorways but of cultures... we are no longer at a frontier. We are in front of a new region that links France and Germany. Paris is no longer at the heart of Europe," says Mrs Catherine Trautmann, mayor of Strasbourg. The sentiment is echoed by

Dumast, deputy mayor of Nancy: "We are a melting pot, synthesis of German and Latin culture. We have always lived, for good or ill, with the

It is no surprise that, like the rest of the country, the three regions were passionately divided on European monetary and political union in France's

Alsace, where the regional capital Strasbourg is home to the plenary sessions of the European Parliament, pro-duced the biggest pro-Maas-tricht majority of any region in France - 66.2 per cent. Lorraine also said yes, despite a pocket of resistance in its southern department of Les Vosges, fiefdom of Mr Philippe Seguin, mayor of Epinal, the rebel RPR Gaullist politician who led the anti-treaty cam-paign. Meanwhile, neighbouring Champagne-Ardenne produced a 'no' vote, reflecting the strength of the agricultural

has always been a centre of political, industrial and financial influence, albeit a fragmented one. For the three regions appear to co-operate less with each other and have less in common than they do with their foreign neighbours in Germany, Belgium and Swit-

Apart from Mr Seguin. tipped as a possible future leader of the Gaullist RPR, and the forceful young Socialist Mrs Trautmann, the east is the local political base for Mr Gérard Longuet, president of the conservative Parti Républicain, who unseated Mr Jean-Marie Rausch, a centrist former Socialist government min-Mr Bernard Guerrier de raine regional council after the steelmaker, plus three-quarters

idea of Europe.

tember referendum

regional elections last March. Other local heavyweights include Christian Poncelet, a senior RPR senator and former government minister, who now heads Les Vosges departmental council and Mr Antoine Waschter, leader of the Greens party, who is a vice president of the Alsace regional council. lobby there.
Traditionally, eastern France The east is also the tradi-

> tence of a large industrial workforce and a small service Alsace, for example, is home to De Dietrich, the engineering and kitchen equipment group which is France's oldest family controlled company, as well as to carmaker Peugeot's show-piece plant at Mulhouse, assembly centre for its newest

model, the 109. In neighbouring Lorraine there is Pont à Mousson, the pipes division of Saint Göbain, three plants belonging to Usi-

tional cradle of some of the big-

gest names in French industry.

reflected in the continued exis-

of French coal output. Financially, the east boasts France's second largest banking centre, based in Strasbourg, where Credit Mutuel, Cial and Sogénal have made a specialty lending to export oriented local industry.

Like other French regions. they are all striving to use the decentralisation of power initiated 10 years ago to seize more of the initiative in their own economic development - but with mixed success. "This is a decentralised

country, where all the key decisions are still taken in Paris." mourns Mr Guerrier de Dumast. "Too many big investment projects go to the Paris region, which still exerts a power of attraction that the provinces cannot resist. Without a will to reverse this in Paris, it will never turn back."

The east has, however, managed to attract a wave of foreign investment, partly thanks to its central geographical posi-tion in the EC. This has also

available in Lorraine, keen to diversify away from its traditional industries, plus a network of internationally active economic development agen-

It has also benefited in a small way from the Paris gov-ernment's attempts to spread more of the central bureaucracy out to the provinces, with the recent move of the prestigious Ecole Nationale d'Administration to Strasbourg, and the move of the CNRS national science research centre library to

But the east has not yet won the battle in what has become a test case of the power struggle between Paris and the regions, the continuing wran-

gle over the financing of a new Trains à Grande Vitesse high speed rail link from Paris through Strasbourg and on to Germany's Inter-City Express

The line, due to open early in the next decade, is desperately wanted across sastern France. Businessmen in Les Vosges complain that road and rail links to neighbouring regions are poor, while Alsace sees the line as an important step in the economic development of the upper Rhine valley and a catalyst to trade between France nd eastern Europe

We see the TGV as a symbol of désencalvement, breaking out from our regional isolation," adds Mr Gérard Cherpion, president of the Saint-Dié

chamber of commerce, near Les Vosges' border

However, the SNCF French rail board's traffic forecasts on the French section of the TGV-East are so poor that it wants the three regions to contribute a combined FFr6bn to the FFr26bn cost of the project and to charge 30 per cent above normal TGV rates for the tick-

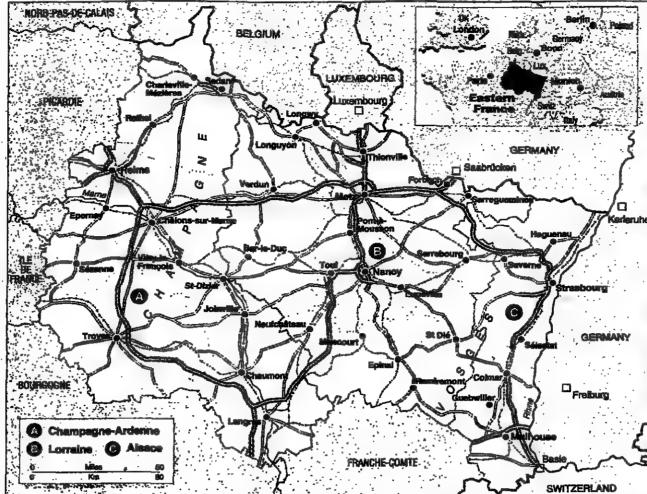
They have responded with an initiative launched by Strasbourg's Mrs Trautmann, to create an association of French and German regions to lobby both Bonn and Paris for a Franco-German TGV link. The lobby has been effective, in that it produced in July an agreement in principle from President François Mitterrand and Chancellor Helmut Kohl that there should be such a

Yet, the crucial question of who pays remains to be settled Mrs Trautmann accepts that the regions should make some kind of contribution, but argues that the profit forecasts become much better if calculated on through traffic on both the French and German sections, rather than the French part of the line alone.

Others are less moderate -"why should we have to pay, when Rhone-Alpes and Brit-tany got their TGV for free?" asks a Les Vosges local govern-

Many others in eastern

L'ALSACE



Lorraine shakes off its old blackspot image

# Rebirth of a region

HE slow pre-programmed death of Lorraine's state-owned coal mines, the largest and most efficient in France, is an object lesson to the British government as it grapples erratically with its own coal industry closures. writes William Dunkers.

through

cession

Lorraine is today beginning to shake off its old image as France's industrial blackspot, having lost 16,000 coal jobs over the past 25 years, not to mention 75,000 in steel and iron ore mining and 26,000 in

Remarkably, the region has lived through this industrial cataclysm without serious social unrest. There was violence in the early stages of the steel closures and token strikes in some coal mines, but there has been nothing approaching the scale of the British coal strike under the government of Mrs Margaret Thatcher.

Today, Lorraine has an unemployment rate of 9.4 per cent, slightly below the national average and one of the highest flows of foreign investment in provincial France after its prosperous little neighbour, Alsace. The rebirth is, however, far

from perfect in that few of the new jobs have been created in high technology industries -and businessmen complain of a shortage of advanced services

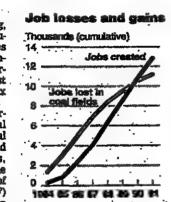
According to Anvar, the state research agency, nearly three-quarters of Lorraine's industrial workforce is employed by companies that devote less than one per cent of their value added to

research and development. Some job creation schemes have had a difficult ride. One of the oddest is Parc des Schtroumpis, a FFribn theme park near a former steel works in Hagondange, based on the cartoon characters known as Smurfs in the UK Backed by Usinor Sacilor and the regional government, it went into liqui-dation in 1990, only a year after opening, because the number of visitors fell dramatically short of target, but was rescued by Walibi, the Belgian theme park operator.
Others have been reassuring, like the growth of a community of plastics companies around St Avold, on the northern Lorraine border with Germany, now the second largest plastics centre after Oyonnax

in Rhone-Alpes The transformation of Lorraine has been successful enough to attract international attention. The Polish and Czechoslovak governments, which have asked Soffrem, the 25-year-old job creation arm of Charbonnages de France (CdF) for advice on how to reduce the pain of coal mine closures in their own countries.

Sofirem has helped more than 400 new and existing companies over the past eight years and claims an 85 per cent

nuccesa rate. So what is the secret? Out of Lorraine's three traditional industries, the Saar coal fields in the north-east of the



made planned closures more or less evenly over a period of 25 relatively thinly. The iron and steel job reductions in around Longwy and Thionville in the north and Pompey and Neuves-Maisons in the south, were less evenly planned, because the outlook for the French steel



for coal. Like CdF, the stateowned steelmaker Usinor Sacilor has its own job-creation arm for the region, Sodiest, which has supported 1,000 new companies in its 10-year existance, a larger but less experienced body than the coal Mont's Softrom

Achieving a smooth run-down for coal mining, due to close entirely in Lorraine and nationwide by 2005, has not been easy. For the French administration, like the UK government, has had changes of heart over the future for

Sofirem was established in 1967 when the government launched the first coal output reductions on the realisation that French production costs could never compete against cheap imported coal from Australia and south America. It then eased off the reductions with the 1973 first oil price shock, only to step them up again with France's subsequent decision to launch what turned out to be the most ambitious nuclear energy pro-

gramme in Europe. The Socialist government bought another volte-face on coming to power in 1981, when it said coal output must rise by third by the end of the decade, only to change its mind in 1984 with the sober abandonment of its go-it-alone economic expansionism.

Mr Richard Muller, head of the industrialisation department at Houillères du Bassin de Lorraine - CdF's local branch – does not expect any further U-turns in government

policy.

Accordingly, Lorraine, which now accounts for three quarters of French coal output, is set to lose its remaining 14,000 mining jobs within the next decade or so.

Massive state aid for retraining and economic development has been part of the answer. Over the past five years, Lor-raine alone has swallowed one fifth of France's entire primes d'aménagement de territoire or regional economic development budget, spent on business parks, roads and start-up premises. Foreign investors can expect to find generous incentives, of between 10 per cent and 30 per cent of project cost, depending on the location, says Mr Michel Ferrand, a director of Adena, the Nancy develop-

# Alsace: Smile, you're wonderful The body of the body of the state of

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to see us in Seville. Let's keep in teach. Come and see us again. In Alsuce. 



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the last Duke of Lorraine, constitute one of the most perfect and ous examples of 18th century French sychited

Nancy, an elegant and pros-perous town with some of finest 18th century buildings in France, has ever seen an industrial crisis.

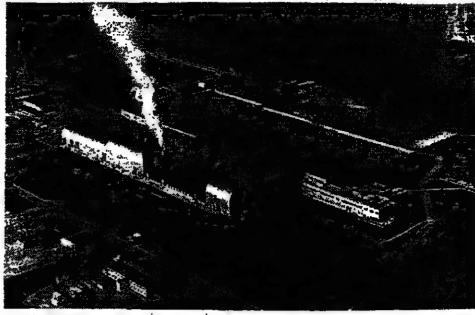
Yet the area around the largest town in Lorraine has lost more than 10,000 jobs over the past decade, mainly from the state-owned steel plants at nearby Pompey and Neuves-

Over the same period, more than 8,000 new jobs have been created, partly thanks to a wave of foreign investment, and partly thanks to start-up businesses fostered by the departmental and city authorities. As an industrial centre, Nancy, has traditionally been a base for chemical, clothing and food-processing industries. It has also developed as a financial and administrative capital.

We have survived the crisis of re-industrialisation better than Lorraine as a whole because of our tradition of technical education," claims Mr Bernard Guerrier de Dumast, deputy mayor and president of Nancy Techno-pole, the town's technological showpiece. The Technopole, built up over the past 20 years by the city and regional authorities, provides cheap office space and advice for about 100 small businesses grouped on Nancy's university park, with start-up capital



Bernard Guerrier de Dumast, deputy major of Nancy and president of the Technopole, the town's technological showplece



Kimberly-Clark, the tissue and paper products group, has a plant at Villey Saint Ellenne, Lorraine

An emphasis on technical education pays off in Nancy

# Industrial turnaround

available through the Institut Lorrain de Participation. The intellectual nucleus for all this comes from Nancy's three uni-

versities was founded as far back as 1572 - and its five prestigious civil service technical schools, which were origi-nally established to train engineers for the coal and steel industries. They are now being encouraged by the Technopole to bring forward high technology projects that could be small business consultancy service backed by the city

turned into commercial propositions on site. The body

to help them do well." William Dawkins

authorities, which estimates that 80 per cent of its clients are still in business 10 years

after starting up. Nancy does

not, unlike some other towns,

pump aid into start-up busi-nesses, emphasises Mr Guer-rier de Dumast — "that would be complete folly and only

harm the businesses which already exist," he explains.

"On the other hand, our job is

by such EC trade moves to

Epinal's industrial diversity brings success

# Textbook solution

Pinal, capital of the department of Les Vosges, is a textbook case of how to respond to the long-term decline of a traditional industry.

Until 30 years ago, it was the thriving capital of the French textiles industry, known for its images d'Epinal, popular cotton prints of French historical scenes.

Since then Epinal and the wooded valleys around it have lost 35,000 textile industry jobs in the face of low-cost Far Eastern competition, so that today the sector employs only a quarter of the workforce. Les Vosges' reputation as an area that fears it has much to lose economically was further reinforced when it produced a solid majority against the Maastricht treaty in the Sep-

tember referendum. Yet Epinal has survived the textile downturn surprisingly well, by qualified and comparatively heap workforce to other sectors, such as paper - another traditional Vosges industry and engineering, which between them now employ a quarter each of the depart-

ment's workforce. The Vosges softwood forests and the proximity of cheap nuclear-generated electricity have attracted leading Scandinavian paper companies on the look-out for an entry to continental Europe, such as Norsk-Skog Industrier, which last year opened a FFr2.8bn paper plant at Golbey just out-side Epinal, the department's biggest ever foreign invest-

Engineering has become the department's biggest single employer, partly through the creation of small independent businesses by former textile workers. The sector has also been helped by the arrival of for-

eign investors like Trane, the US producer of heating and cooling equipment which is the largest private sector exporter in Lorraine, and whose presence has inspired the start-up of around 10 subcontractors since its arrival at

Golbey in the early 1960s.

We have found here a flexible workforce, able and willing to adjust to new techniques," says Mr Antonio Gallo, Trane's sales director for Europe and Africa.

William Dawkins

don't believe in global. production - we need to manufacture near the market," says Mr Soonhoon Bae, president of Daewoo, the Korean electronics glant, explaining his decision to start making colour TV sets in Lorraine.

Daewoo is building a FFrs100m plant at Fameck. near Metz, which it hopes will start production next spring, without output rising to 400,000 units by 1994-5.
"We looked at several Euro-

pean countries, but ruled out Germany because some fellow Korean companies had not had a very happy experience there and the UK because of transport costs," Mr Bae says. Daewoo was attracted to

France, for two reasons: ☐ First, wage costs there are competitive, at least with the rest of Europe.

Second, the French governthan as mayor of Rpinal, a job he has held for the past nine years, writes William Dawkins.

ment is no longer - despite (or perhaps increasingly because of) the continued problems of its own maker of TV sets, Thomson – hostile to Asian companies setting up in compeNew colour TV plant at Fameck, near Metz

# Korean investment

tition on French soil. Having decided on France for TV manufacture, Daewoo then looked at various sites. But it eventually rejected the idea of taking over facilities being abandoned by Alcatel at Cherbourg and Bull at Belfort,

"Within a 500 kilometre

R PHILIPPE SEGUIN
is better known as a
leading rebel member

of the conservative RPR party

Now aged 49, Mr Seguin

achieved national distinction

two months ago when he emerged as leader of the cam-

paign against the Maastricht treaty on European monetary and political union.

His arguments that the

treaty was an affront to

national sovereignty reflected the mood of his own electorate in Epinal and Les Vosges (where Mr Seguin is also MP), which showed up as islands of anti-Maastricht centiment in

the otherwise pro-treaty

region of Lorraine

and opted for a green field site

radius of Fameck, you have a four years at Longwy. "With market of some 50-60m people", says Mr Bae.

Another possible site for Daewoo TV-making with the same general geographical advantage was Strasbourg. But the Korean company decided to go further north, because it has aiready been making micro-wave ovens for the past

people coming from the steel sector in this region, you have a very skilled work force," says

In July the European Com-mission launched a wide-rang-ing dumping inquiry into TV sets imported direct from the Par East.

Did Daewoo feel compelled

invest in Europe? No, says Mr Bae. Daewoo took its decision to manufacture TVs in Europe more than a year ago, but it needed some time to complete pegotiations with the French government and the European Commission's regional fund which are, together, paying one third of the Fameck plant's But Mr Bae admits that the

EC dumping inquiry "re-in-forces the logic of our decision to manufacture locally in

David Buchan

Profile: the mayor of Epinal

# Parachutist on the right

His Maastricht campaign reinforced Mr Séguin's claim as a possible successor to Mr Jacques Chirac, the RPR leader, despite a lacklustre performance in a television debate with President François

Unlike his counterpart in Strasbourg, Mr Séguin was not born and brought up in the town where he is mayor - a common phenomenon whereby

chute" promising supporters into local government jobs. Mr Séguin, born and edu-cated in Tunisia before its

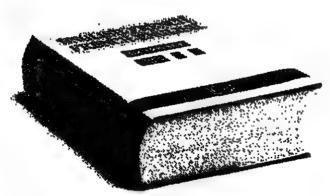
independence from France, is a graduate of the Ecole Nat-lonale d'Administration, the training ground for many in the French political and business elite, and was a junior minister in the 1986-1988

Gaullist government. He looks

likely to become an influential member of the French cabinet if, as seems likely, the right wins next March's legislative

Far from neglecting Epinal in pursuit of his national ambitions, Mr Séguin has cul-tivated his local base, working hard to lobby foreign compa-nies to come to Les Vosges and overseeing an unprecedented increase in investment in lei-sure and cultural facilities by local government in Epinal. He complains, however, that the complains, however, that the economic development of Les Vosges is handicapped by a lack of co-operation between towns and communes; a short-coming apparent in many other French provinces as they get to grips with decentralisa-tion.

There is only one way of understanding French,





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## Over 13,000 jobs created in Lorraine

WAGE RATES COMPARED Listed here are average hourly wage rates, expressed in French

francs, as at June 1991, as estimated by the **European Community** 

	in franca	France = 100
Germany	148	121
Belgium	146	120
Netherlands	124	101
France	122	100
Italy	122	100
UK	93	76
us	106	87
Japan	109	90

#### Continued from page 1

Richard Muller reckons that, included, each of the 13,565 jobs created or aided in Lor-raine's former coal fields has cost the public purse FFr100,000 - "on an interna-tional comparison, we think that is pretty reasonable." be

Another important element has been the advice and training organised by Softrem and the CdF itself, says Mr Jean-Jacques Fix, Softrem's Lor-

raine regional manager. Sofirem offers start-up equity funding for former coel miners secking to set up their own businesses and helps them present their cases to bank

ever, prefer the safer course of getting a new job with another employer, often a foreign

Here the CdF funds retraining, pays former employees' salaries for a trial two months in a new company and runs a prospection service for employers and employees. "We can offer people of high quality and motivation," says

The British government is not the only one who might



The Technopole at Nancy has been developed over the last 20 years by local and regional authorities. The

experience. Just a few miles away over the border, the German coal industry is reducing production from its mines in the same Saar deposits that stretch under Lorraine, but at a far more gentle pace, reflecting the Bonn government's more coal-dependent energy policy. Yet France decided long ago that coal mining in the area could never be

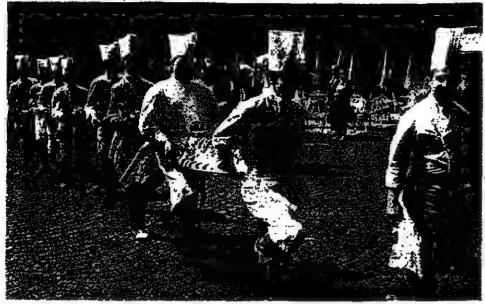
internationally competitive. William Dawkins



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#### EASTERN FRANCE 3



Culicary delights: local chete parade traditional dishes in Strasbourg

TRASBOURG is the

most western city in Mitteleuropa, according to its forceful young mayor, Mrs Catherine Trautmann (see

personality profile, below).

Strasbourg, the capital of Alsace, looks and feels almost

like a German provincial town,

with its steep tiled roofs and half-timbered houses. Yet its identity is firmly international.

pean credentials - as the

venue for the plenary sessions of the European Parliament

and the base of the Council of

forced when its citizens pro-

were recently re-in-

The city's traditional Euro-



Vineyards in the Alsace region

Strasbourg, capital of Alsace

# International identity

duced a 72 per cent 'yes' vote in the September referendum on European political and monetary union - the biggest pro-Maastricht majority in France.

President François Mitterrand was no doubt grateful for this but the result was mosurprising, because many thousands of Strasbourg residents owe their living to various

forms of European co-opera-

The parliament, the fast-expanding council, the European Court of Human Rights and the institutions associated with them have been joined over the past year by the planning team for Europol - the Franco-EC police co-operation unit - and Arte, the new Franco-German

from its Parls headquarters It was partly a recognition of next January.

Strasbourg's diplomatic and intellectual richness, as well as France's busiest conference The city is, however, far more than a think-tank on the Rhine. It also happens to be France's second banking cencentre outside the capital, that tre after Paris, harbouring the the French government chose it as the new site for the elite headquarters of nine big civil service college, the Ecole Nationale d'Administration. regional banks, representing a balance sheet total of The college will move there

This is a reflection of the town's long history of innova-tive banking, founded on Franco-German trade and its skill in adapting the concept of mutual banking from the German invader at the end of the last century.

Crédit Mutuel, Alsace's largest bank, broke new ground again in the early 1970s by becoming the first French bank to offer insurance poli-cies, launching the idea of "bancassurance" now widely followed by its national com-

William Dawkins



The picturesque wine village of Rigsewihr in Alasce



Peugeot cars for export are carried by rail from Mulhouse to Celais. Peugeot has overce

The transformation of Peugeot at Mulhouse

# A flexible workforce

past three years at the assembly plant of Peugeot, the car maker which is the biggest employer in Alsace, writes William Daw-

in the autumn of 1989, the sprawling suburban plant, which occupies more than 350 hectares - nearly the same ize as the centre of Mulhouse itself - saw the start of one of the most damaging pay strikes

in Peageot's history. The dispute spread to Sochaux - Peugeot's other main centre in neighbouring Franche Comté - inflicting a serious blow on Alsace's traditional reputation for stable labour relations. Since then, the Mulhouse plant and its 12,500 staff have overcome that trauma to become an indus-

trial success story. Mulhouse has been among the leaders in the Peugeot group in adapting Japanese-style production efficiencies, team management and just-intime stock control, under its new production director Mr Alain Baldeyrou, who joined

just after the strike. In recognition of this, Peugeot chose Mulhouse last year for the assembly of the 106, its latest hatchback, currently rolling off the production lines at 1,400 vehicles per day, the highest output in the plant's 30-year history.

Over the past 10 years, Mulhouse has reduced the period

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Lugano Region

RAMATIC changes have from order to delivery at the frontier, only 10km away, taken place over the factory gate from more than 10 where salaries are significantly days to around seven and a half, and slashed its costs.

Suppliers now deliver at least daily, as a result of which nine component producers able to keep to Peugeot's rigorous delivery schedules.

Inside the plant, says Mr Bal-deyrou, "we've tried to create motivation among the operat-ing personnel by making office staff understand that they are at the service of the operators." This strategy means that Mulbouse only allows machine or car design changes to go ahead after consulting machinery operators, a previously unusual practice in the French car industry. By the same token, its workforce are encourage to come up with ideas for improvements in car components and design. The coach-building shop alone has proposed 7,000 improvements over the past year, says Mr

Baldeyrou with satisfaction. The transformation of Peugeot at Mulhouse is a testament to the flexibility and dependa-bility of the local workforce, believes Mr Baldeyrou. More than 15 per cent of the workers there are foreign, equally divided between the European Community and North Africa, with the rest mainly from

However, any local employer also has to be wary of competition from more generous employers across the German

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righer, he warns. Peugeot used to suffer from workers leaving to earn more in Germany, though Mr Baldeyrou says that problem has ceded over the past year as the German economy runs into

her talent for lobbying the Paris bureaucracy by leading a Franco-German campaign to put pressure on a reluctant SNCF rail board to build a new Train a Grande Vitesse line east from Paris to Strasbourg.

mayor since the 1920s. She wasted no time in exercising

Dawkins.

Mrs Trautmann's

HE vivacious Mrs Catherine Trautmann,

the 41-year-old mayor

When the SNCF complained that the French section of the line would not be profitable enough to be built without heavy financial help from local government, Mrs Trautmann promptly formed an association of the French and German cities concerned to prove to the Paris government that the line would be highly profitable if linked to the German high

speed rail network. "It is an axis of integration to link the European members in the east," argues

of Strasbourg, is in the forefront of the young generation of leaders to have perspective. The line is expected to come into service in 1999 or 2000, depending on the outcome of the dispute saturd the initiative from Paris in defending Alsace's between the SNCP and the interests, writes William regions over financing. This European reflex is typical of Mrs Trautmann's anexpected victory in the style: she is also an active municipal elections three member of the European years ago gave the traditionally centre-right Strasbourg its first Socialist a laboratory for Europe and

Strasbourg's mayor has a twin-track career

Talented lobbyist

the SNCF of viewing the project on a narrowly French

she says. Like an increasing number of French politicians, Mrs Trautmann, a one-time junior minister under the former government of Mr Michel Rocard, attaches great importance to building her local power base. Karlier this year, she refused the offer of another ministerial job on the grounds that she wanted to keep her twin mandate as mayor and European MP.



Mrs Cathorine Trautmann: vivecious lady of the left

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# E Bastern France faces a de la Région, I Cours

continuing wrangle with Paris over the financing of a new Trains à Grande Vitesse high speed rail link from the French capital through Strasbourg and on to Germany's Inter-City Express network. The line, due to open early in the next decade, is urgently wanted across the eastern region. Alsace sees the line as an important step of the upper Rhine valley and a catalyst to trade between France and eastern Europe. ■ Distances by main road routes from the Lorraine metropolis to other Europe cities are as follows:

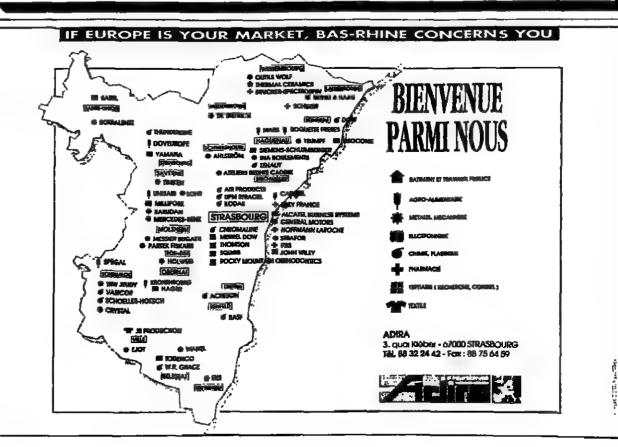
☐ Lyons ..... ☐ Marsellles .450 km. 160 km ☐ Strasbourg . 300 km. . 350 km. Antwerp . . 60 km. □ Luxembourg .400 km □ Rotterdam ☐ Amsterdam 🗆 Cologne ... .350 km. □ Dösseldorf .800 km. 🛘 Hamburg . ☐ Frankfurt .300 km. .600 km 🗘 Munich ... I Useful names and addresses for foreign investors in eastern France include the following: Regional council offices, Alsace: Hotel de la Région, 35, avenue de la Paix, 67070,

Strasbourg, Tel 8825-6867. ☐ Champagne-Ardennes: Hotel

d'Ormesson, 51037 Châlons-sur-Marue, Tel 2670-3131. ☐ Lorraine: Hotel de la Région. Place Gabriel-Rocquard, 57036 Mets. Tel 8733-6000. ☐ Economic development organisations: Délégation à l'Aménagement du Territoire et à l'Action Régionale (Datar), 1 avenue Charles Floquet, 75700 Paris. Tel 4065-1234. ☐ Association pour l'Expansion Industrielle de la Lorraine (Apellor), 1 place du Pont à Seille, 57045 Metz. □ Comité d'Amé de Promotion et d'Expansion des Vosges (Capev), 17 avenue Gambetta, 88000 Epinal, Tel 2982-4503 □ Comité d'Aménagement, de Promotion et d'Expansion de Meurthe-et-Moselle (Capemm), 8 rue Baron Louis, BP 378, F 54007 Nancy. Tel Association de Développement du Res-Rhin (Adira), 3 Quai Kléber, F 67055 Strasbourg. Tel 3388-3224.

| Comité d'Action pour le Progrès Economique et Social Haut-Rhinois (Cahr) 17, place de la Cathédrale, P 68000 Colmar. Tel 8922-8800. □ Alsace Development Agency. 1901 Avenue of the Stars,

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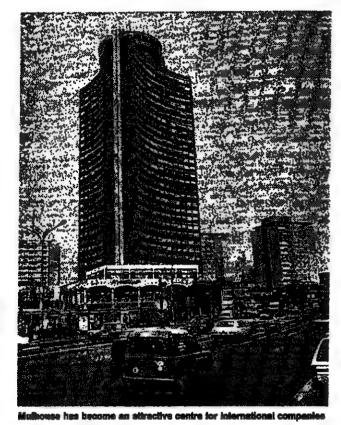


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Mulhouse, the industrial heart of Alsace

# **Tri-national heritage**



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international congresses has become the choice venue

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Mulhouse has variously been part of Switzerland, Germany and France, a heritage which has left deep traces in the form of an eclectic way of life. Today, a casual visitor, arriving at Mulhouse-Basel airport - which straddles the Swiss frontier and is jointly managed with the Swiss authorities – can be forgiven for wondering which country Mulhouse is in,

Mulhouse city dwellers, like other residents of Alsace, speak of the rest of France as if it were another country, calling it simply "the interior." Their local newspapers are in French and German and 35,000 Mulhouse residents – nearly 15 per cent of the population to work every day, in search of higher wages across the Rhine. Few German workers come the other way, into France, though Mulhouse does boast a commu-

nity of German companies. The city practises Swise-style environmental policies, with a recently launched programme to collect household waste in recyclable plastic bags. It holds regular joint municipal planalso boasts positively Teutonic labour relations stability, with one notable exception: the strike at the local Peugeot plant three years ago.

"Traditionally, we are an attractive centre for German companies who want to get into the French market, with all its special characteristics. We are also attractive to international companies who see this as a good base from which to serve northern Europe without having to set up in Ger-many," explains Mr Laurent Kammerer, head of the mayor's private office.

The city has a plentiful pool of labour though city officials do complain of a skills shortage. This is partly because of a fast-growing immigrant population of nearly 18 per cent, many of whom have been attracted by the local car industry. A rise in the National Front vote, to 23 per cent in Alsace generally in the last regional election, could be a worrying consequence. How-ever, city officials attribute this more to regional dissatisfaction with the centralising Paris bureaucracy than to



Cutbacks and job losses in third bad year for producers

# Champagne sales hit hard

NE chilly March day this spring, the streets of Reims were packed workers, shouting angry slo-gans and brandishing placards, in protest against the cutbacks pagne houses where they work.
The mood of their employers

was little different. The champagne industry is in the throes of its worst crisis since the oil shock of the mid-1970s. The champagne houses of Reims and Epernay, which flourished in the bullish mood of the 1980s, have been floundering in the chillier climate of the

Champagne sales have been hit by everything from the global economic slowdown, to the strength of the franc against key export currencies and fiercer competition from other products, notably sparkling wines. The champagne houses, now in their third successive year of falling sales, are struggling for survival against a backdrop of mounting debts and frighteningly

high stocks.

It is easy to paint a picture of the champagne sector as yet another-industry that has fallen victim to the economic woes of the early 1990s. But even after the economy recovers, the champagne houses will still face the challenge of get-ting to grips with the longer term issues of the backlash against alcohol consumption and adjusting to life in the increasingly competitive inter-national drinks industry.

Champagne is one of France's oldest and most prestigious products. It is an important source of employment in the Champagne region to the east of Paris, with 6,500 people employed directly by the champagne houses and thousands of others who are indirect

The industry is dominated get to grips with the pricing industry's financial state. by LVMH, the giant luxury problem. When sales started to Stocks have risen as sales have

goods group which owns a series of champagnes, includ-Pommery and Veuve Cliquot, as well as a string of cognacs, fashion houses, luxury luggage makers and perfumes. LVMH towers over the other companies with champagne sales of

FFr4.82bn last year alone.
Other leading players include Seagram and Remy Cointreau, which also have interests in other areas of the international drinks industry. These large groups have gobbled up many of the indepen-dent houses over the years but three of the six biggest champagne companies are still in family hands. Marne et Cham-

"Champagne is one of France's oldest and most prestigious products . . . it is about one

pagne is majority-owned by the Burtin-Mora family as is Champagne Taittinger by its foun-ding family. Laurent Perrier belongs to the Burtin-Mora family, with Banexi and Crédit Commercial de France as its other major shareholders.

These companies, like the rest of the industry, thrived in the 1980s. The market reached its peak in 1989 when 248m bottles of champagne were sold, compared with 188m five years before. But as sales rose, so did prices. The champagne produc-ers had taken advantage of their buoyant market to hike

their buoyant market to hike the price of their product.

By 1990, when the recession really began to bite in the US and western Europe, cham-pagne sales were hit not only by the fall in consumer pur-chasing power, but also by the backlash against high prices. It took time for the industry to get to grips with the uriging

response was to try to compensate for depressed demand by Sales fell by 6.6 per cent to 232m bottles in 1990, according

to the Comité Interprofessionale du Vin de Champagne (CIVC), only to fall again, by 10 per cent to 214m bottles, in 1991. The worst affected area of the market was exports. The French market, still the big-gest single source of cham-pagne sales, slipped by 8.1 per cent to 135m bottles last year. But export sales fell further, by 11 per cent to 75m bottles.

Some export markets declined dramatically. The UK,

industry's most buoyant markets in the 1990s, fell by 34 per cent and Australia, also reeling from recession, by 33 per cent. In the US, where sales fall by 13 per cent, champagne was affected both by the economic crunch and also by competi-tion from Californian sparkling wines, which have made great strides in quality over recent

This year has been little better. Exports have fallen fur-ther, as have sales in France. The CIVC anticipates an over-all reduction in sales of champagne to between 200m and 210m bottles by the end of the year. There have been reports in the French press of some small houses facing falls in sales of up to 70 per cent since

the start of the year. The problems posed by this decline in sales are aggravated because of the financial cost of

carrying heavy stocks.
Since this spring the market desperately off-loaded their surplus stocks. Some houses have been selling champagne for as little as FFr38 a bottle, well below the production cost of around FFr55. They have chosen to swallow the losses, rather than face the financial blow of another horsease in servicing costs on their stock.

also been forced to cut costs. There have been lay-offs across the industry, even at the largest houses, triggering a spate of industrial action including strikes at Mumm and Piper-

Heidsleck this spring. However the industry has also taken tactical steps to try to improve its position by tightening up the specification for the composition and pro-duction of champagne in an attempt to reduce output. The quantity of grapes required to make champagne is being increased from 150 kilos a becthe amount of grapes that the vineyards are allowed to har-vest has been reduced from a maximum of 12,000 kilos a hectare to 10,400 kilos.

These measures should, or so the CIVC hopes, ensure that champagne is produced in smaller quantities, but at higher quality, thereby enabling the producers to charge more for its new improved product when it comes on to the market in 1994 and, hopefully, alleviating the

present pressure on prices.

After all, as Mr Jean-Michel
Ducellier, president of the Champagne Houses' Union, said: "Champagne is about one thing - quality."

Alice Rawsthorn

Châlons-sur-Marne, capital of the Champagne-Ardenne region

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IF EUROPE IS YOUR MARKET, BAS-RHINE CONCERNS YOU

# New investment incentives

IKE many other provincial towns across France, Châlons-aur-Marue has seized the opportunity offered by decentralisation of local government in recent years to initiate a wave of invest-

Chalons-sur-Marne, capital of the Champagne-Ardenne region, badly needs to invest to attract private sector industry to counterbalance its uncomfortably heavy dependence on public sector jobs.
Accordingly, Chalons-sur-Marne will

early next year open a 56-hectare business park at Les Escarnotières, just outside the town, which will offer a range of tax, social security and job creation incentives for arrivals.

Further shead, there are plans for a FFr400m to FFr500m freight airport, due to be one of Europe's largest, on the site of a military airbase at nearby Châlons-Vatry, jointly funded by the town, the chamber of commerce and private sector banks. The project has run into resistance from Aéro-ports de Paris, the French airports authority, unwilling to see freight business move from Orly to the provinces. However, the city authorities are optimistic, thanks to promises of support from the European a depot there last year. Commission. If successful, the scheme is due to open by the end of 1995.

The airport project is also, incidentally, an example of the surprisingly close co-operation between the Communist-run city and the conservative controlled Chamber of Commerce - "it is essential that we work together to provide the best tailored solutions for companies," says Mr Chris-tian Bernard, the chamber's manager.

The region and the Marne departmental councils are also controlled by the right, but despite these political differences there is broad agreement with the city on local planning and economic development. Châlons-sur-Marne is doing its utmost to

play on its geographical advantages to attract businesses to the area. The town's great asset is to be positioned on the junction between France's main west-east motorway - half way from Calais to the German border - and the country's main southern motorway from Paris to Milan.

The southern route, the A26, follows the line of the ancient Via Agrippa, indicating that the town has a historic claim as a distribution centre. It is no accident that distribution companies fill eight pages of the local telephone book, including Harris Distribution, the UK group which opened

A combination of historical accident and design means that 40 per cent of Châlonsstate. Big local state employers include France Télécom, the post office, the SNCF rail board and the regional and Marne

departmental offices.

"We are a town of civil servants, which means we are relatively prosperous, but have a weak industrial base," explains explains Mr Pierre-Yes Danion, economic adviser to the Communication of the C adviser to the Communist mayor, Mr Jean

This has cushioned Chalons-sur-Marne from the decline of traditional industries which have badly hit neighbouring areas like the Vosges, so that it has an unem-ployment rate of 9 per cent, well below the

national average.

Yet it is only too conscious that this cushion could deflate at a time when central government is looking for new ways to control its budget deficit. As a result, the town hall is badly short of business tax, a locally levied payroll and turnover charge which forms an important part of its funding. This, argues Mr Danion, is another example of how central government has shifted more responsibility to local authorities without giving them the full means to exercise their new role.

William Dawkins

Fro mar the

# **FINANCIAL TIMES** COMPANIES & MARKETS

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GPA to

ask banks

to change

covenants

OTHE FINANCIAL TIMES LIMITED 1992

Monday November 23 1992

#### INSIDE

#### Western & Pacific delisted after inquiry

A company closely associated with natural resources entrepreneur Mr Clive Smith has left the Vancouver Stock Exchange following inquiries from officials over transactions involving its shares in the UK. Authorities in Vancouver suspended trading in the company, Western & Pacific, in October, pending clarification of the pledge of Western shares as security to a UK

#### School's had its chips



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#### Westpac loses to NAB

In Melbourne, Mr Don Argus, managing director of National Australia Bank (NAB), outlined the reasons for his bank's growing success. In Sydney, Mr Frank Conroy, chief executive of Westpac Banking Corporation, toughed out questions on Westpac's failures. As Mr Conroy was rorced to admit, Westpac is the big loser. Only a few years ago it was the country's biggest and most profitable bank. Page 17

#### Gilts worry about UK recovery

Gilts edged down last week amid funding wor-ries and signs that the UK economy may be flickering into life. Short-dated gilts turned down partly because of the perception that fur-ther cuts in UK base rates are unlikely by the end of the year, while longer-dated securities fell on inflation worries and concern about

#### Market Statistics

Base lending rates FV-A World ledises FT/ISMA int bond svc London share sorvice Managed fund service Money markets New lat bond femots

F&C German inv Foster (John) Foster Menswess

activity and inflation.

dancies, there is a sense that

the worst may be over. Last

Friday, Gallup, the market

research company, suggested that the recent steep fall in

17 London & Metrophin 17 McInemey Properties 15 National Express Western & Pacific

RHONE-Poulenc, the French chemicals group, yesterday reported a fall in net income only days before it is due to announce details of the sale of 10.6 per cent

Rhone-Poulenc's forthcoming share sale will raise between FFr3bn (\$550m) and FFr4bn.

**SBC** sets

payment

By Bernard Simon in Toronto

OLYMPIA & YORK'S afform to

keep its US operations out of bankruptcy protection are again

being threatened by disgruntled

Swiss Bank Corporation has extended until tonight a deadline

for O&Y to pay US\$8m which it

owes under a letter of credit

related to one of its New York

In a separate action, Battery Park Holdings (BPH), which is partly owned by Toronto's Bronf-man family, has filed a suit to recover US\$8.5m in overdue Webd-

service payments from the World Financial Centre, O&Y's flagship development in lower Manhat-

BPH is also claiming US\$75m in capital which it alleges was

improperly withdrawn by O&Y from the World Financial Centre

to support less healthy operations elsewhere within its

mpire. O&Y's 25 US buildings, most of

them in New York, are the only part of the Reichmann empire which remain outside court pro-

The company has indicated

that it will file for protection

under Chapter 11 of the US bank-

ratpcy code if either Swiss Bank

Corporation or Battery Park

Holdings attempt to enforce

Other creditors have so far

stopped short however, of forcing O&Y into the time-consum-

ing and complex Chapter 11

Most have preferred either to

resolve their claims through

negotiation or have decided to adopt a wait-and-see attitude.

deadline of 1pm last Friday.

The bank had earlier set a

of debt

deadline for

France's socialist government allowed its holding in a state-con-trolled company to fall below 50

French chemicals sector, suffered a modest 2.5 per cent fall in net income to FFr1.58bn from FFr1.62bn in the first nine months of 1991.

per cent to FFr5.65bn from

months ago.

A small kitchen still prepares lunch for Paul and Albert Reich-

mann, O&Y's founders, and a

waitress still delivers the meal to their offices on a silver tray. But much else has changed.

O&Y, known in its heyday as an aggressive, family-run developer

always on the lookout for the

next pioneering deal, is rapidly

shrinking to an inconspicuous

property manager controlled by

Creditors' influence is perva-

sive, from the welter of informa-tion which has been prised out of

the once-secretive Reichmanns,

to the absence of the fresh flow-

ers which used to adorn the receptionist's desk at head office.

The full extent of creditors'

when O&Y agreed to what

amounts to an orderly liquidation

of some of its most prized assets. Responding to a groundswell of protest against its latest debt-re-

structuring plan, the company asked creditors to postpone of a series of meetings due to start on

Thirty-four creditor groups

with claims totalling C\$8.6bn

(US\$7bm) were due to vote on the

restructuring proposals at the

week that several key groups, notably those with well-secured

claims against specific O&Y buildings, would reject the plan

the meetings until mid-January,

but only on condition that if they

then turn down any revised pro-

posals O&Y comes up with, they

will be free to seize their collat-

Some groups of lenders have

already begun interviewing new

managers to take over the main-

tenance and letting of buildings

from O&Y. Among those likely to

be seized in coming months are

The creditors agreed to put off

outright.

But it was clear by early last

became clear last week

penny-pinching creditors.

it would be the first time that FFr4.57bn on sales which rose by US, reflecting the switch in strat-0.7 per cent to FFr62.48bp from FFr61.95bn.

Net income was hit by exchange rate fluctuations, although net income per share increased by 6.6 per cent from FF17.57 to FF718.73.

The chief currency problem for Rhône-Poulenc was the US dollar's decline against the French

Most of the group's recent curnings growth has been in the

egy away from its old bulk chemicals interests towards more profitable health-care businesses under the chairmanship of Mr Jean-René Fourtou.

After the share sale, the state's direct voting rights will be reduced from 77.5 per cent to 45 per cent.

However the government will still exercise indirect control through the stakes owned by

including the Crédit Lyonnais bank and Assurances Générales de France insurance group.

The partial privatisation has been interpreted by some observ-ers as a stepping stone towards full privatisation for Rhône-Poul-

The chances of this will rise if France's right wing opposition, which appointed Mr Fourtou as chairman six years ago, returns to power after next spring's gen-

The past seven months have been humiliating for the Reich-manns. They have lost the bulk

of their fortune and their reputa-

tion as far-sighted businessmen has taken a battering. O&Y in its heyday had an

image of a prudently-managed company whose owners com-bined vision and flair, and made a point of keeping their promises. But the light shone on to O&Y

since May has revealed some-

thing different: a disorganised

tangle of companies with a highly centralised management.

towards the Reichmanns have

hardened. Much effort over the past seven months has gone into

tracking down the family's assets

and making sure that they pay as

much as possible towards the costs of keeping O&Y afloat. As one creditor's lawyer put it

a few months ago: "We don't want their houses, but we want

just about everything else,"
The distillusionment of O&Y's

lenders has also cast a pall over

the rest of the North American

property finance market. Inves-

tors now insist on tighter protec-

tion in loan covenants, such as channelling rents to a trustee who would be responsible for

debt-service payments.
The Reichmanns' worth now

consists largely of a 20 per cent.

equity stake in their debt-bur-

dened US properties, some small-ish privately-held Canadian buildings and their original Toronto floor-coverings business. Paul and Albert Reichmann

time, almost on a daily basis."

O&Y is now run however, by

Mr Gerald Greenwald, the former

Chrysler vice-chairman hired last

As a result, creditors' attitudes

GPA Group, the aircraft leasing company, will today ask more than 100 banks to change the covenants in its borrowing agreements so that they are cash-flow related instead of being linked to equity and prof-

The request is part of the group's financial reorganisation, which also includes a request to its banks to defer repayment of up to \$900m (£596m) of bank debt until September 1996.

meet today at the InterContinen-tal Hotel in London, will hear that Mr Maurice Foley, deputy chairman, has put off his retirement for a second time, to become GPA's project co-ordina-

Bank creditors - whose loans are fully secured on aircraft -may be relieved that they are being asked to make relatively modest concessions in the

restructuring.
However, holders of GPA's \$1.5bn (£900m) unsecured debt, mostly in the form of bonds and medium-term notes, are not expected to be asked to make any substantial sacrifices in the

restructuring.
One banker said he thought it would be fairer if both the hunks and the unsecured creditors made sacrifices. However Mr Foley said: "It is important that we honour our commitment to them [the unsecured creditors] since we may wish to tap the capital markets next year."

GPA expects to breach borrowing covenants because of the deterioration in its trading performance and the company's failure earlier this year to raise \$800m in its aborted flotation. It therefore wants the covenants in its borrowing agreements to be based on cash flow. GPA reported \$285m net cash flow from leases - after the deduction of interest - in the year to

still come into the office on most days. Mr David Brown, O&Y's chief legal adviser, says: "We're bouncing ideas off them all the March 1992. A number of GPA's bankers contacted by the Financial Times, said they recognised they would have to take the first step in restructuring the group. However, some bankers are concerned about how GPA intends to deal with its obligation to make a \$1.5bn repayment in September 1996.

GPA said agreement with banks is partly dependent on agreement with manufacturers to postpone deliveries of up to 200 aircraft due in the next two

# Rhône-Poulenc hit by currency shift

By Alico Barrelliero la Porte

of the government's stake in the

It will be a watershed in French industrial policy because

The group, the flagship of the

The group has managed to increase operating income by 23.5

The property developer is shrinking almost to insignificance, writes Bernard Simon Some traditions at Olympia & York's elegant head office on the 28th floor of Toronto's Exchange Tower have been maintained since the world's big-gest property developer filed for bankruptcy protection seven Olympia & York

to its foundations

Reiciananns shrinking empire



the 72-storey First Canadian Place in the heart of Toronto's financial district, and the nearby 68-storey Scotia Plaza.

Under the next restructuring plan, to be filed by December 15, the Reichmanns are expected to cede control of the company's equity to its unsecured and

ting their money back rest on an upturn in the North American commercial property market. especially in New York and the fortunes of O&Y's key nonproperty investments, newsprint maker Abitibi-Price and Gulf

April as president. Mr Steve Miller, another ex-Chrysler man who is now a partner at the New York investment bank James D Wolfensohn, spearheads the restructuring negotiations. O&Y's executives and advisers may bounce ideas off the Reichmanns. But the orders these days

NATWEST BANCORP, the US subsidiary of National Westminster Bank, is likely to make a profit after tax of more than \$130m this year, according to Mr John Tugwell, chairman of the U5 business. That would be the US business's

Mr Tugwell also dismissed

minster was unlikely to sall NatWest Bancorp in the short-term, and would instead build it through selected

"Now we are making more money than in the UK, why would you sell your profit

Bancorp, which has been recovering after two years of substantial losses due to had likely to outstrip the net profits of \$130m made in its most profitable year of 1987. Between 1989 and 1991, it incurred cumulative losses of

had been expanded.

profit of \$105.5m in the first three quarters of this year, including \$39.4m in the third quarter.

#### From crisis PERHAPS, just perhaps, Mr Norman Lamont is freeing himself from months of crisis The rebalancing of economic policy forced by Britain's exit from the European exchange management to rate mechanism reached a the next Budget politically satisfactory conclusion for the chancellor with the

unveiling of the government's spending plans and emergency fiscal package in the Autumn does not distort the workings of market forces or discrimi-Monetary policy is being connate against specific groups. ducted in calmer conditions, Over the past two years, he has also shown himself to be a with both the financial markeen fiscal innovator. hets and UK authorities seem-

ingly content to wait and see He decided that the spring how sterling's large devalua-Budget, which is concerned with revenue raising, and the tion and the sharp 300 basis point cut in bank base rates Autumn Statement, covering government spending, should since September will affect merged into a unified annual budget from December 1993. Although fraught with Although each day seems to bring a succession of gloomy announcements about redun-

income tax bend in this year's pre-election budget offended purists. Although politically astute, it added to the complexity of the tax system. The chancellor's decision this month to raise for a limited period allowances for investment in plant and machinery to 40 per cent from 25 per cent drew criticism for benefiting only those companies that pay corporation tax.

**Economics Notebook** By Peter Norman

consumer confidence had botadministrative difficulties, this move brings Britain's budget

chancellor two years ago, it was widely expected that he would follow in the footsteps of Mr (now Lord) Nigel Lawson as a reformer of Britain's complex imposed a tougher discipline on the spending round and probably helped ministers to channel spending more effec-

ity: that is a tax system that Institute for Fiscal Studies.

practice into line with that of other countries and should make the UK's public finances more transparent to the voter. Mr Lamont also reformed the annual public expenditure round this year. By introducing a new "control total" for government expenditure, which could not be breached in the negotiations on spending between the Treasury and the spending departments, he

tively to priority areas. But the chancellor's record on reforming taxes has been patchy. "The past two years have seen tax policy appearing to be determined by pressure from interest groups rather than Lawsonian principles of tax neutrality," says Mr Andrew Dilnot, director of the

In one respect, next March would be a good moment for Mr Lamont to put his stamp on the tax system. As Lord Lawson has noted in his memoirs (The View from Number 11, Bantam Press £20), the first budget after an election is a good time to bring in sweeping changes. The chancellor of the day has an opportunity to introduce reforms which might be difficult later, either because they would be too controversial or because it would take too long for their beneficial effects to be felt before vot-

ers again go the polls. The classic objectives of the tax reformer should be to promote economic efficiency, fairness and administrative practicality. On this basis, there is no shortage of scope for reform in Britain.

Britain's corporation tax system, for example, penalises many companies by requiring them to pay the equivalent of basic rate income tax on divi-

dends paid to shareholders. Not all companies can fully off-set these payments to the Inland Revenue against their UK corporation tax liability.

The interaction of the

ance contributions is another area where reform would be desirable. The co-existence of the two systems means that someone earning, say, £27,000 a year pays a lower marginal tax and average tax rate than someone earning £20,000.

Anomalies also arise in the

tax treatment of savings and from the relatively narrow range of products on which value added tax is levied. But manifesto comunitments

and election promises have ruled out many moves such as broadening the VAT base to items such as food or children's clothing. A more pressing problem facing Mr Lamont is lack of cash.

The Autumn Statement suggests that the public sector borrowing requirement could reach £44bn in 1993-94. Many independent forecasters are more pessimistic.

Certainly, no one should put too much faith in the mediumterm assumptions for the UK economy which are tucked away in the footnotes of the Autumn Statement. The figures, implying that Britain could grow by a real 3.8 per cent in 1994-95 and 3.5 per cent in 1995-96, are not based on an up-to-date judgment of eco-nomic conditions. They are projections taken from the Budget "red book" of last March and adjusted for changed inflation expectations following sterling's float.

out when the state is flush with funds and able to compensate the losers from any change. Mr Lamont will not be in that position next March. Indeed, his first Budget after the election will more likely be a test of whether the chancellor's tax reforming instincts can overcome his need to raise

Tax reform is best carried

#### **NatWest** Bancorp sees record profits

By John Gapper, Banking Correspondent

highest-ever yearly profit after

widespread expectations that NatWest may soon sell its US He said that National West-

jewel? Mr Tugwell said NatWest

Mr Tugwell said a decision on whether to sell or remain in the US market was likely only when NatWest Bancorp

The bank made a total net

Its assets have been expanding gradually as it has made a series of small acquisitions, and they now stand at \$22.3bn.



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paring to leave the Treesury in an end-year cabinet reshuffle. Mr Lamont should now be looking ahead to his next Budget in March. It would odd if he were not weighing the pros and cons of tax referm. When Mr Lamont became

> He showed an interest in taxation when responsible for the Inland Revenue as financial secretary to the Treasury in the 1980s. One of his first acts as chancellor was to appoint Mr Bill Robinson, the former head of the independent Insti-tute for Fiscal Studies, to be his special adviser in the Trea-

> The chancellor is known to be a supporter of fiscal neutral-

# Western & Pacific delisting

By Peggy Hollinger

COMPANY closely associated with natural resources entrepreneur Mr Clive Smith has left the Vancouver Stock Exchange following inquiries from officials over transactions involving its shares in the UK.

Authorities in Vancouver suspended trading in the comралу, Western & Pacific, in October, pending clarification of the pledge of Western shares as security to a UK company. They were concerned following articles in the British media stating that a

Western had pledged the the value of the shares fell shares following a loan from an estimated C\$1.75m to shares following a loan transaction involving cooking manufacturer, Belling, which went into receivership in May.

The stock was security for a \$2m advance fee payment made by Belling last year, in return for a promised loan of \$50m from a third party, Global Prospect Funding, a Newcastle-under-Lyme company. Belling borrowed the \$2m from its own pension fund.

The \$50m loan was never made, and the Western shares were eventually given as collateral for the \$2m in April. substantial shareholder in Soon after they were pledged,

about 2200,000.

The shareholder which pledged the stock was Finchley Investments, an Isle of Man company administered from Jersey, which Mr Smith has often used to handle some of his investments. Western & Pacific is also 18.6 per cent owned by Newsham Investment, another vehicle for the Smith family interests.

The Vancouver authorities also questioned the company as to the extent of Mr Smith's involvement with Western & Pacific.

After several meetings

Western & Pacific eventually It retains its listing on NAS-DAQ in the US, where most of its shares are traded.

Western & Pacific came to the VSE in 1991 through the reverse takeover of a shell company Nor-Quest. Some months later Western purchased Montana Mining Properties, one of the founders of Butte Mining. Cash-strapped Butte has launched litigation alleging fraud and misrepresentation by more than 70 defendants, including Mr Smith, who is contesting the

losses in the second, and is On the news on Friday the

are price fell 6p to 32p. Mr Barry Spencer, who joined the board in September, is to become chairman with mediate effect in place of Mr Victor Watson, who remains a non-executive director, and Mr Peter Giles has become a direc-

tor and chief executive. Mr Spencer was formerly chairman at Parkland Textile and Mr Oiles has considerable experience in turn-around situations. They will undertake a review of all operations which will lead to a significant

restructuring.
In the half year ended August 28 1992 turnover came to £10m (£10.4m) and the operating deficit to \$1.7m (£1.04m). Profit on sale of land was only 266,000 (£1.02m) and there were restructuring costs of a subsidiary of £249,000 (nil), pushing the pre-tax loss up from £23,000 Losses per share rose to 16.9p

**Boscombe Property** half time surge

With gross rental income ris-ing 9 per cent to £434,000, Bos-combe Property lifted pre-tax -profit from £183,000 to £275,000 for the six months ended Sepember 30 1992.

Rarnings per share surged from 134,98p to 203,09p, and the interim dividend is increased from 80p to 100p.

#### Waste Management in £29m French deal

By Richard Gourley

Waste Management International, has bought 75 per cent of Environnement Service SA, for FFr 235m (£28.73m).

Environnement Service provides solid waste collection and disposal and industrial cleaning services, and is a sub-sidiary of Derichebourg Hold-

ings.
It is involved in commercial Paris. collection throughout Paris, commercial collection elsewhere in France and has recently received a landfill

permit near Nice. Derichebourg says sales at Environnement Service in the nine months to September were FFr 325m (£89.78m). Mr Edwin Falkman, WMI's chief executive, said Environ-

nement Service would allow rapid expansion of the group's presence throughout France. WMI is 80 per cent owned by Waste Management of Chi-

Murray Johnstone

tional hand fund.

tract by Calvert Group, the US mutual fund group which spe-cialises in ethical, or "social screening investment.
Investors Global Bond Fund. for Canadian investors,is an open-ended mutual fund concentrating on a high running

rated Government and com-Murray Johnstone group controls funds totalling

# Disposals substantially erode Ldn & Metropolitan losses

By Vanessa Houlder, Property Correspondent

LONDON & Metropolitan, a troubled property company, has reduced its pre-tax losses from £14.96m to £4.44m for the six months to June 30. L&M, which reported pre-tax

losses of £100.3m in 1990 and £26m in 1991, underwent a financial restructuring in March 1991. This summer its banks extended their loans and working capital facilities until

Its latest accounts, which

revealed a negative net worth large disposals. of £44m, were qualified by its auditors, Touche Ross. They were prepared on a going concern basis which was dependent on the group's ability to meet working capital projec-tions in the UK and to secure a refinancing of leisure development in the South of France.

in the half year there was an operating profit of £2.85m, compared with a loss of £10.5m. The company said the improvement will not be representative of the full year, since it does not anticipate any

The results benefited from the completion of the sale of part of a site in Reigate to Safeway. The company also sold three office buildings in Manchester to an Enterprise Zone Investment Trust for £4.1m and a 51,000 sq ft Chancery Chambers city centre office site to an overseas investor.

Further, unspecified provisions were made against the carrying value of other proper-ties in the portfolio. Losses per share fell from

#### **NEWS DIGEST**

#### Interest in ing the scale of the reorganisation, said the directors. The year past had been, and the current term would con-**National** tinue to be, a period of significant change for the company. **Express** Losses per share worked through at 4.78p (earnings 18p). However, the dividend is held at 7.9p, the final being 7.07p, payable January13.

THERE HAS been considerable public interest in the flotation of National Express, the sched-uled coach service operator, which is expected to price its shares tomorrow at between 160p-170p, valuing the group at about £60m, writes Andrew

More than 7,000 people have called a freephone line to regis-ter for a mini-prospectus for the flotation, many more than the company's advisers had expected. The flotation will be through a placing and offer for sale, with 25 per cent of the shares being offered direct to the public.

#### **Clyde Blowers** £141,000 in red

After reorganisation costs of £151,000, Clyde Blowers ran into a pre-tax loss of £141,000 in the year ended August 31 1992, ist a profit of £254,000. Although turnover rose to £4.63m (£4.34m) there was a swing from an operating profit of £93,000 to a deficit of £253,000. However, increased investment income of £263,500 (£161,000) cut that to £10,000, refore the reorganisation costs. The overall result was "very

much as anticipated consider-

improvement year earlier.

Downturn at

F&C German Inv

Foreign & Colonial German

Investment Trust reported net

asset value lower at 105.2p on

March 31 and 107.1p a year ear-

Mr David Thomson, chair-

many performed better than

other European bourses the

performance was disappoint-

Net revenue for the six

months to the end of September was £320,000 (£350,000) for

decline against the D-mark.

earnings per share of 0.81p F&C Eurotrust

At September 30 1992, net asset value of Foreign & Colonial Eurotrust was 161.5p, a rise of 1.7 per cent over the 158.8p of a

increased from £2.64m to

Total revenue for the year

£3.53m, and net revenue came to £865,000 (£826,000). That equalled earnings per share of 1.47p (1.61p) and the dividend is stepped up to 1.23p (1.18p), payable on December 23.

#### McInerney losses reduced to I£1.2m

McInerney Properties, which builds private houses in ireland and leisure related activities in Spain and Portugal, cut its pre-tax loss from 162.45m to 181.2m, or 21.3m, over the first half of 1992. The second half will show

September 30, against 110.9p at some loss. Expectation of more stable markets in 1993 should enable the group to reap the benefits of the recent financial man, said that although Gerrestructuring and hasten the return to profitability, which should come in 1994.

Exceptional charges of £300,000 were made this time. ing. However most of the talls were offset by sterling's Provisions covered possible increased future costs which might arise from recent currency movements, and costs relating to the financial restructuring

Turnover in the half year came to I£15m (I£14m), while losses per share declined to

cards at John Foster John Foster & Son, the mohair and worsted spinner, reports a substantially increased loss for

the first half, sees further

Restructuring on the ...

#### wins two contracts

Murray Johnstone, the fund management group, has won two substantial North American management contracts one a \$12.8m ethical fund and the other a C\$28m interna-

The ethical fund, Global Equity Fund, is the first worldwide ethical fund to be offered to US investors and will avoid investment in companies involved in nuclear power, alcohol/tobacco, weapons systems and South Africa. Murray Johnstone was awarded the management con-

yield via investment in AA

£3.7bn, including \$630m for North American cilents.

## Your Price changes hands

By Paul Chekskright, Midlands Correspondent

FOSTER Menswear, owned by its management after a \$1 buy-out from Sears last September, has given Your Price, its loss-making chain of discount clothing stores, to Mr David Tucker, chairman of Be-Wise, another discount retail-

"I didn't pay anything for it. I got given it." said Mr Tucker as he explained that the 85 stores of Your Price would be run as an independent comYour Price.

Mr Tucker is buying from Sears, for 22.2m, the freehold of 20 Your Price stores. Ownership of the remainder is in the hands of institutional landlords. But the Your Price leases on the stores have been assigned to Mr Tucker's new company at a reverse premit that is, Foster paid Mr

Tucker to take them. Mr David Carter-Johnson managing director of Foster said: "In six weeks we have successfully sold on the only

pany, funded by himself with fringe business we have." Your £100,000 of equity, to take over Price stores, with turnover of £18m, are generally half the size of the 250 Foster clothing stores, which collectively produce yearly sales of £100m. Passing Your Price on to Mr

Tucker means that Poster has cut off a loss-maker. "The major basis of the mbo is cost reduction," said Mr Carter-The combined Foster-Your

Price business cost Sears £30m in two and a half years. But Mr Carter-Johnson said the mbo company should make a small profit in its first year.

	CROSS BORDER	MEN DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
hrismational Nederlanden Groep (Netherlands)	Banque Bruxelles Lembert (Belglum)	Banking	£1.3bo	Bid plan wilhdrawn
CanWest Grobel Communications (Canada)	Television and Telecasters (Australia)	Broadcasting	£106m	CanWest loads consortum
Howard Smith (Australia)	Alexandra Towing (UK)	Tugboats	252π	Conditionally agreed
International Distillers & Vinters (UIC)	Gonzalez Byass (Spain)	Drinks	£40m	GrandMet takes 30%
IDV (UK)	Buton (Italy)	Drinks	121m	GranMet taken 33.8%
ATAT (US)	Telfa' (Poland)	Telecoms equipment	£18.5m	Western buying start in sector
Sen Chemical Corp (US)	Usher-Walker (UK)	Inks	£14.8m	Agreed bid in UK arm
Wolseley (UN)	US supply (US)	Plumbing products	28.7m	BTR disposal
Congiliation (UKC)/ Shaples (US)	3V	Office supplies	<b>28</b> m	Targetting fragmented market
Nestie (Switzerland)	Clarke Foods (UK)	Foods	n/a.	Buy from

#### Notice of Noteholders Optional Redemption U.S. \$30,000,000

Fokus Bank A/S (Incorporated in the Kingdom of Norway with limited liability) Floating Rate Subordinated Notes Due 1997

Noteholders are advised that in accordance with Condition 5(e) of the above Notes, the Notes may be redeemed at the Option of the Holder on the Interest Payment Date falling on January 21, 1993 at their Principal Amount. Paymentris will be made in accordance with Condition 4 of the Notes against surrender of the Notes together with Condition 4 of the Notes against surrender of the Notes together with all Unnatured Coupons at the offices of any of the Paying Agents listed below. Notes and Coupons will become vold unless presented for payment within a period of 12 years and 6 years respectively from the Optional Redemption Date. To exercise such Option the Holder must deposit such Notes accompanied by a completed form of election with any Paying Agent mentioned below during the period beginning November 23, 1992 and ending December 8, 1992. The Form of Election Notices are obtainable from any Paying Agent. The Notes have a minimum Interest Rete of \$%. Noteholders should take the appropriate tax advice when deciding whether to exercise take the appropriate tax advice when deciding whether to exercise the Option referred to above.

> PRINCIPAL PAYING AGENT The Chase Manhattan Bank, N.A. Woolgate House, Coleman Street London EC2P 2HD PAYING AGENTS

Notice to Lombard Depositors

14 DAYS NOTICE Manus ridd

CROSS 14 PA

2.50

6.00

GROSS % PA

1.00

3.50

The above gross rates assume no deduction of basic rate incomo lax. The compounded arrural rate (GAF) is achieved if the quarterly inforest cryotion.

The following interest rates will apply from 23/11/92

Chase Manhattan Bank Luxembourg S.A. 5 Rue Plaetis mbourg Grund

When the balance is

When the balance is \$5,000 and above

less than £5,000

£1,000 - £4,999

When the balance is

£5,000 and above

\_ombard

. The Complete Finance Service

Crédit Leonnais Belgium Avenue Marnix 17 6-1050 Brusseis

(Switzerland) 63 Rue du Rhône CH-1204 Geneva By: The Chase Menhattan Bank, N.A. London, Principal Paying Agent November 23, 1992

Chase Manhettan Bank

Chase Menhattan Bank (Switzerland) 24 Genterstrasse CH-8027 Zurich CHASE

GROSS CAR & PA

2.52

6.14

GROSS CAR - PA

1.00

3.55

#### **DERIVATIVES**

The FT proposes to publish this survey on December 8 1992.

This survey will provide a review of current products and technologies, along with analyses of credit and legal issues, and a

ent rates and deadlines, call Tim Hart Tel: 212-752-4500 Fax: 212-319 0704 Jeremy Baulf

Tel: 071-873-4026 Fax: 071-873-3078 FT SURVEYS

#### BusinessWeek

This week's topics:

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How Kicking Amund Trade Pays Of Behind Guiness Peat's Big Slip

What Executives Think of Clinton

Gianni Agnelli's Last Hurrah (For subscriptions: From UK call 0628 - 23431)

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For subscriptions call UK 44-628-23431 Hong Kong 852-523-2939

NOTICE TO BONDHOLDERS Lavoro Bank Overseas N.V.

10% Guaranteed Bonds due 1995 In accordance with Condition 7(e) of the Terms and Conditions of the above issue and in compliance with the provisions of the Fiscal Agency Agreement, notice is hereby given that all the outstanding Bonds will be redeemed on December 15, 1992.

U.S. \$150,000,000

Payment of the principal amount of the Bonds will be made upon presentation of the Bonds with Coupan No. 5 and following attached, at the offices of the Fiscal Agent or any of the following Paying Agents: Fiscal and Principal Paying Agent Banque Paribas Luxembo 10A Boulevard Royal

L-2093 Luxemb Paying Agents

3 rue d'Antin F-75002 Paris

Morgan Guaranty Trust Company of New York Avenne des Arts 35 B-1949 Bruxelles Swiss Bank Corporation

CH-4002 Basic

Morgan Guaranty Trust Company of New York 60 Victoria Ember GB-London ECAY OFP

Lamenbourg, November 23, 1992



#### REPUBLIC OF ICELAND U.S.\$100,000,000 Floating Rate Notes Due 1994

Notice is hereby given that the rate of interest has been fixed at 4.025% and that the interest payable on the relevant interest payment date, May 24, 1993 against Coupon No. 8 in respect of US\$10,000 nominal of the notes will be US\$203.49. November 23, 1992, London

By: Citibank, N.A. (Issuer Services), Agent Bank CTTBANCO.

-FUTURESFAXisive daily trading recomm is, stop-losses and illustra Details - Elli Gifford Tel. 0223 356251 Faz 0223 329806 lavestment Research of Cambridge Ltd. A Member of Indito

#### HILL SAMUEL OVERSEAS FUND SICAV

Luxembourg, 11, me Aldringen R.C. Luxembourg N° B 8422

Notice of Annual General Meeting Notice is hereby given that the Annual General Meeting of Share-holders will be held at the registered office of the company on 11th Decem-ber 1992 at 2.30 p.m. with the following agenda:

Agenda

Submission of the management report of the Board of the Directors and of the report of the Authorized Independent Auditor.

Approval of the annual accounts and appropriation of the results as at 30th September 1992.

Discharge to be granted to the Directors for the proper performance of their duties for the period ended 30th September 1992.

Receipt of and action on nomination for election of the Directors

for a new statutory term of one year. Election of two additional Directors. Any other business.

The shareholders are advised that no quorum is required for the items of the agenda and that the decisions will be taken at the simple majority of the shares present or represented at the Meeting. Each share is entitled to one vote, A shareholder may act at any Meeting by proxy.

. By order of the Board of Directors

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NOTICE TO THE HOLDERS OF ITL 42,000,000,000

**Banque Paribas** (the "Bank") 61% Variable Redemption

In accordance with Conditions 6(h) and 11 of the Terms and Conditions notice is hereby given that the Notes have been purchased by the Bank and that the issue will no

Notes due 1993

longer be listed on the Luxem-bourg Stock Exchange. For and on behalf of the issuer Banque Paribas Luxembourg

Société Anonyme

BBL (Cayman) Limited USD 126,000,000 Guaranteed Floating Rate Notes Due 1997

terest Rater 4.33126 % nterest period: rom 23/1 1/92 to 24/06/93 erest payable per USD 250,000 Note: USD 5,474.22 USD 500,000 Note: USD 10,948.44 By Foji Back (Lum Agent Bank

#### Banque Indosuez U.S. \$125,000,000 Floating Rate Notes due 1997

For the six months 20th Nov ember, 1992 to 20th May, 1993 the Notes will carry an int rate of 4.1875% per annum and coupon amount of U.S. \$210.54 per U.S. \$10,000 Nore. Listed on the Luxembourg Stoc Exchange

To The Holders of Sanco Central de Costa Rica LS \$56,611,715 Perios A Interven Claime Bonds Due May 21, 2005 US \$76,435,529 Series & Interest Claims Bonds Due May 21, 2006 NOTICE IS HERIERY GIVEN, that the rate of inferent from November 20,1982 divough and inskuding Fathuary 21,1996 or 4,724379s, per articum. Interest coupon payebbe on February 22,1980 will amount to \$538.25 per \$100,000 nominal face amount.

Dated: November 23, 1992



Christiania Bank og Kreditkasse (Incorporated in the Kingdom of Narmay with limited liability)
U.S.\$100,000,000

Floating Rate Senior Notes Due May 1995 (of which U.S.\$75,000,000 has been issued as Initial Transi Notice is hereby given that the Rate of interest has been fixed at 10.5% and that the interest poyable on the relevant interest Poyment Date May 24, 1993 against Coupon No. 16 in respect of US\$10,000 nominal of the Notes will be US\$530.83 and in respect of US\$250,000 nominal of the Notes will be US\$13,270.83.

November 23, 1992, London By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANC

# Α

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First Union Corporation

Notes due 1996 The rate of interest per ann First Union Corporation's U.S. \$150,000,000 Floating Rate Notes due 1996 for the interest period beginning 20th November, 1992, and ending 22nd February, 1993, the next interest payment date, will be 4.0625%. The amount of interest payable for such

U.S. \$150,000,000 ITL 75,000,000,000 Floating Rate

nterest period on each \$10,000 principal amount of the Notes

Notes due 1993 In accordance with Conditions 6(b) and 11 of the Terms and Conditions

Banque Paribas 5% Variable Redemption

NOTICE TO THE HOLDERS OF

and it is the terms and conditions notice is hereby given that the Notes have been purchased by the Bank and that the issue will no longer be listed on the Luxembourg Stock Exchange.

For and on behalf of the issuer Banque Paribas Luxembourg Société Anonyme

Bankers Trust
Company, London Agen; Ban

### **CONTRACTS & TENDERS**

PUBLIC NOTICE OF TENDER The Government of the Republic of Lithuania

offers for sale by open teader Klaipeda State Tobacco Company

55% of equity offered for sale in the privatization of the Lithmenius tolunce industry Fender period begins November 27, 1992. For further information about the tender tests or the lavestreest opportunity, or to obtain tender applications, please cor Todd Thomson or Jeseph Sajdutti of:

KPMG Peat Marwick **POLICY ECONOMICS GROUP** official advisors to the Government of the Republic of Little

2001 M Street NW 4 Gagarino Str. 2001 Vilaim Washington, DC 20036 Tel: 202-467-3333 Republic of Lithuania Tel: (70122) 62 08 96 Page 202-728-0546 The contents of this materies have been appeared for the purposes of Section 57 of the Financial Services Act 1986 by KFMG Pest Marwick, which is sutherized by the Institute of Chartered Accommune in England and Walus to



, hand,

#### COMPANIES AND FINANCE

# Mercedes excess stocks total 35,000

Motor Industry Correspondent

MERCEDES-Benz. the automotive subsidiary of Daimler-Benz, has excess stocks of around 35,000 cars worldwide, according to Mr Gerhard Liener, Daimler-Benz finance director.

Mercedes is holding stocks of around 180,000 cars worldwide in its own inventories and at its dealers, said Mr Liener, compared with a normal level of around 95,000. "Our sales are going down, our stocks are too high and therefore we are cut-

ting production." German car and commercial vehicle maker is being January 8 with the elimination of 10 production days in order to reduce output.

Last week it stopped production at its German commercial vehicle plants with the loss of four production days, in addition to a public holiday.

Extensive short-time working has been agreed for the commercial vehicle plants for the first half of 1993, and negotiations have started for shorttime working at the Mercedes car plants in the first quarter

A total of 32 production days are to be eliminated at the main van and truck plants at Düsseldorf and Wörth in the first six months of next year.

plants from December 21 to while 19 production days will be cut at the Mannheim bus

> Mercedes car workers are taking the extended Christmas break in lieu of part of the summer holiday, so that the company can speed up output of the new generation Mercedes-Benz 190 executive car range, when it is launched next June, Mr Liener said.

> By the end of this year the Mercedes workforce would have been reduced by 12,500, he said, and a further 15,000 job cuts were planned in the next two years - a total reduction of around 10 per cent. Mr Liener said that the company had suffered a "dramatic" fall in commercial vehicle

since July of between 30 and 50 per cent.

He said that Mercedes car production was expected to fall by 7 per cent this year to 538,000, from 577,990 in 1991. He forecast a further decline next year to 520,000-530,000.

Mercedes' commercial vehicle production worldwide would fall to 280,000 this year from 296,000 in 1991, and it was expected to fall to 270,000 next year, he said.

Mr Liener said a "fierce battle" for market share was being fought in some Europeen truck markets, particularly in France. "This is a price war and the fiercest war is in

# Tortoise catches up with the hares

NAB has emerged as Australia's strongest bank, writes Kevin Brown

T WAS all in the body language. In Melbourne, Mr Don Argus, managing director of National Australia Bank (NAB), was relaxed and chatty as he outlined the rea-sons for his bank's growing

A few hundred kilometres away in Sydney, Mr Frank Conroy, chief executive of Westpac Banking Corporation, was determined but terms as be toughed out questions on Westpac's failures.

The two men had just announced sharply contrasting results for the year to end-Sep-tember, confirming the dramatic upheaval in Australian banking as a result of the fallout from economic recession and the loose lending practices of the 1980s.

As Mr Conroy was forced to idmit, Westpac is the big loser. Only a few years ago it was the country's biggest and most profitable bank. Boasting the slogan "Australia's World Bank", it set out to fight the big banks of Europe, North America and Japan on their

own ground. Now Westpac is pulling in its horns, and Mr Conroy openly admits that the bank would be vulnerable to takeover but for federal government regulations preventing mergers between the top six financial institutions. Even that defence will disappear if the opposition conservatives win the election which must be held by June. If the rules do change, tha most likely bidder is NAB, though Mr Argus is playing down the prospect. He said last

(US\$750.85m) takeover of the Bunk of New Zealand However, NAB is known to have looked at both Westpac and the almost equally weakened Australia and New Zealand Banking Corporation (ANZ) as possible targets.

Most bankers and banking

week that NAB was too busy

digesting its recent A\$1.1bn

AUSTRALIA'S I Year ending S			
	NAB	Westpag	AKZ
Assets (ASbn)	118.4"	110.9	101.1
Net profit after abnormals (ASm) Gross non-performing	676	(1,562)	(579)
loans (ASbn)	4.6	7.8	5.4
Specific provisions (ASbn)	1.2	2.6	24
Net non-performing loans as			
% of risk weighted assets	4.1	5.3	3.75
Capital adequacy ratio %	11.6	9.7	9.7~

"Includes BNZ" "Includes accord transhe of rights issue (day fitmut 1902) Note: Lorens in brackets. Source: company figures

analysts think some rationalisation is inevitable. Even Mr Conroy says the four trading banks are likely to be reduced to three, though he thinks ANZ is the more likely target. The Commonwealth, the fourth trading bank, is still in majority government ownership.

The irony is that five years ago, NAB looked likely to be left behind by its more aggressive rivals. Under the conservative guidance of Mr Argus, then credit manager, and Mr Will Bailey, chief executive, the bank largely eschewed the rush into high-risk corporate lending which fuelled Australia's late 1990s boom.

Mr Argus and Mr Bailey were suspicious of the large-scale treasury activities which dominated the other banks, preferring to stick to small loans, especially in the housing sector. They did not get everything right, however; NAB was exposed to several high-profile corporate casualties, including Mr John Spalvins' Adsteam group, Mr Alan Bond's Bond Corporation Holdings, and Mr John Elliott's Harlin Holding formed to take a large stake in Foster's Brewing.

But NAB has been able to extricate itself with less damage to its belance sheet than the other banks, largely because it has stuck to a policy of loaning against cash flow

rather than against commercial property assets. This policy looked cautious five years ago, but it has paid dividends since the property market began to crash in 1990. "We are not a property bank," says Mr Argus with almost pel-pable relief. "We are not interted. We never have been." Ironically, NAB's largest single write-down, taken in this year's second half, was A\$126m

against its 5 per cent share-holding in ANZ. NAB reaped the benefit of its conservative strategy this year, when it reported a net profit after abnormals of A\$675m, maintaining its consistently profitable record. The bank was able to increase interest income and cut bad debt provisions in Australia in spite of slow economic growth, and would have reported substan-tially higher profits but for recession-related bad debt charges in the UK and Ireland.

NAB's result was in sharp contrast to ANZ, where Mr Don Mercer, the Scottish-born chief executive who took over recently from Mr Will Bailey. was reduced to drawing attention to his accent as an indication that he was unlikely to squander shareholders' money. ANZ reported a net loss of A\$579m after writing off A\$1.9bn against bad and doubtful debts, and analysts say the bank faces a long, hard alog

back to profitability.

"I guess you could say we partied long into the night [in the 1980s]" says Mr Mercer. "What you are seeing today is a bank with a bad hangover. Some of the guests partied so hard that they didn't survive, but those who did survive have

a thumping headache."

The bank with the sorest head is undoubtedly Westpac, which has had a truly awful year. Westpac lost a net A\$1.56bn after writing off A\$2.66bn against bad debts in an attempt to draw a line under several years of poor performance. The loss followed the resignation of five directors, including Sir Bric Neal, the former chairman, who was replaced by Mr John Uhrig, the no-nonsense chairman of CRA. the Australian mining group.

Mr Uhrig and Mr Frank Conroy, who replaced Mr Stuart owler as managing director earlier this year, have launched an attack on the expense-to-income ratio, and formally reversed the bank's growth strategy by promising to reduce assets by A\$10bn over three years.

oth Westpac and ANZ went to great lengths to persuade the market that the worst is over, and both offered evidence to support their case. Westpac, for example, was able to announce a net profit of A\$104m for the second half, together with a small reduction in gross nonperforming loans.

At the very least, the healthy capital adequacy ratios of all three banks indicate that Mr Bernie Fraser, governor of the Reserve Bank of Australia, was right to reassure IIS investor recently that none of the banks is in any danger of collapse However, both Westpac and ANZ say that NAB is using its financial strength to increase its market share, suggesting that 1980s tortoise is now firmly among the hares.

#### Kepco to allow foreign shareholders

By John Burton in Secui

KOREA Riectric Power (Kepco), the largest capitalised company on the Seoul bourse, yesterday lifted its han on forign shareholders.

Overseas investors will be able to acquire up to 8 per cent of Kepco shares from tomorrow, with individual investors limited to a 1 per cent holding. The shares have risen by 140 per cent since August in anticipation of foreign investment.

The government, which owns 79 per cent of Kepco, decided three months ago to open Korea's electricity monopoly to foreign investment in an attempt to revive the flagging Seoul stock mar-ket. Kepco's size – it accounts for 12.5 per cent of Seoul's market capitalisation - and its sharp share price rise has pul-

led up the rest of bourse. The foreign investment ceiling of 8 per cent of Kepco represents 38 per cent of the Kepco shares traded on the

The government sold 21 per cent of Kepco to the public through a share issue in 1989. Kepco last year reported net earnings of Won719bn (\$914m)

#### Aegon reports 6.3% increase to Fl 235m

By Ronald van de Krol In Amsterdam

AEGON, the Dutch insurance group, reported a 6.3 per cent increase in third-quarter net profits and a 9.4 per cent rise for the first nine months of the

Net profits - which consist of operating profits and realised profits on investments -totalled Fl 235m (\$130.5m) in the third quarter, against FI 221m a year earlier, helping to lift nine-month results to

F1 696m from F1 638m Aegon, whose main business is life insurance, described the results as very satisfactory, given the difficult conditions in

insurance markets.
Operating profits in the first nine months were up by 9.7 per cent at F1571.3m, while aftertax profits on investments rose by 7.9 per cent to Fl 127.0m. Aegon repeated earlier fore-

casts that operating profits would show a clear rise in 1992 as a whole. The number of outstanding

shares is also expected to increase markedly because of stock dividends, options and a 1991 convertible bond issue, leading Aegon to predict that operating profits per share would at least match the 1991

#### Unilever lifts Indian stake

UNILEVER, the Anglo-Dutch processed food and consumer product company, is to inject Re370m (\$13m) into Lipton India, to raise its stake to 51 per cent from its present holding of 40 per cent, Reuter

Lipton India, which blends and packages ten as well as producing animal feeds and edible offs, will use the fresh capital to develop its food processing lines, it said. These

proposed majority holding. Unilon, the Anglo-Dutch

group's wholly-owned subsidiary, will pay Rs105 per Rs10 share for the additional 3.53m shares, Lipton India said. In 1991 Lipton India earned

include instant tea, fish feed and margarine. The company will convene an extraordinary general meeting in Calcutta on December 23 to approve the

net profits of Rs115.3m on turnover of Rs6.56bn.

#### Misawa falls 39% after six months

By Emiko Terezono in Tokyo

MISAWA Homes, the Japanes housing company, posted a 39 per cent fall in first-half taxable profits due to the faltering domestic housing market.

Non-consolidated pre-tax profits for the six months to September fell to Y6.4bn (\$51.61m) from Y10.5bn a year earlier. Sales fell 14.7 per cent to Y110.9bn and after-tax profits plunged 53.6 per cent to Y2.4bn. The company was hit by a sharp fall in urban development projects, while revenues from its golf course mem bership businesses also fell. Orders received during the first six months slid 15.5 per

cent to Y117.8bn. For the year to March, Misawa expects parent sales to rise 1.4 per cent to Y255bn and pre-tax profits to fall 29.5 per cent to Y13bn. It said profits were likely to be hit by losses on the planned sale of land originally earmarked for devel-

• Kumagai Gumi, the Japanese construction company, reported a 22.7 per cent fall in unconsolidated pre-tax profits to Y12.1bn for the first half to September, due to weak capital investment by corporations.

## Norway set to reveal rescue terms for banks

NORWAY is today expected to announce details of a recapitalisation package for the country's three biggest banks.

it emerged at the weekend that the ordinary share capital of Den norske Bank (DnB). Norway's biggest bank, has been wiped out and will have to be written down to zero. according to Mr Tormod Hermansen, the head of the state-

backed bank insurance fund. The fund and top executives of the three banks remained

locked in negotiations late last night over further state cash to prop up the banks. Last year the state injected more than NKr20bn (\$3.1bn) into the banking system, which had come close to collapse.

Mr Jarl Veggan, a DnB executive, refused yesterday to comment on the fund's statement that the bank's ordinary share capital had been wiped out. DnB's A-shares have recently been trading at NKr0.90 on the Olso bourse.

Mr Veggan said negotiations with the fund were likely to continue through the night and that a meeting of DnB's board could then be convened to settle how much cash the bank would be forced to seek from the state.

Mr Hermansen said the banks would be given sufficient state capital for their capital adequacy to exceed the 8 per cent BIS minimum required by the end of the year. The banks are believed to be seeking enough cash to shore up their capital adequacy to at least 10 per cent of risk-weighted assets.

Mr Hermansen said furthe state capital transfers, which would have to be approved by parliament, would be subject to stringent terms and conditions. He called on the banks to cut costs drastically and take steps to boost profitabil-

However, the banks' fourthquarter earnings are likely to suffer from the turnoil in the foreign currency markets which forced Sweden last week to float its currency and put heavy pressure on the Norwegian krone.

# **Building on strengths**

As I did last year, I would like to take this opportunity to outline the position of Lafarge Coppée within the broader economic context.

#### In an unfuvorable environment...

The sluggish trends observed worldwide in 1991 have not improved. On the contrary, the long-awaited recovery in the US has not materialized, and the downturn in construction on our main European markets has steepened in the second half of 1992. This is principally due to a lack of confidence among economic agents, who have opted to sit on the sidelines. Currency-market upsets have created additional strains, and our 1993 projections call for a further decline in demand, although more limited in scope.

#### ...we have withstood the market downturn...

Against this clouded backdrop, our group has benefited from its presence on a number of more vigorous markets. These include Germany's new Länder, where reconstruction has now got under way, as well as economies in the process of industrialization in Turkey, Morocco, Venezuela and the Indian Ocean. All told, our worldwide sales of cement this year should be on a par with those recorded in 1991.

At the same time, we are now reaping the rewards of past investments in plant modernization, cost-cutting measures and new-product development.

As a result, we were able to report first-half earnings equal to those for the same period of 1991.

#### ...through a renewed focus on rationalization and productivity.

With a view to better withstanding the current downturn and rebuilding profits, we are stepping up efforts to streamline operations and enhance productivity:

- in North America, cost-cutting and divestment of non-strategic assets have trimmed losses at Lafarge Corporation.
- on a European market in the throes of restructuring, Platres Lafarge has lifted productivity 30% in just four years. The end of the downward trend in gypsum wallboard prices is also encouraging. And Asland has undertaken sweeping reorganization to alleviate the effects of slackening in the Spanish economy.
- we have continued to invest, albeit very selectively, choosing only those targets that meet our requirements in terms of profitability. In 1992, investments will total FRF 3 billion, of which the bulk will be financed out of cash flow and the proceeds of selective divestments.
- we are determined not to sacrifice the reliability and future potential of our production facilities, and we are equally committed to ensuring proper respect for environmental standards. We are pursuing investment in research and development and continuing recruitment, although at a slightly reduced pace, to build our human-resource base for

The success of the swap offer to minority shareholders of Cementia reflects their confidence in Lafarge Coppée and will have a positive impact on group earnings per share.

Combining near-term rigor with a continued drive to build the foundations for long-term success is a tricky exercise, but there is no alternative. It demands that each and every one of us, at all levels within the group, remain committed to meeting our profitability targets.

#### Strength to face challenges ahead.

In 1993, we expect a further decline in demand from Western Europe, while in the US our markets can only benefit if the plans for economic stimulants attributed to the new administration are confirmed.

There is thus considerable uncertainty surrounding prospects for coming months and even years. But in facing this challenge, Lafarge Coppée can draw on significant strengths in a number of key areas:

- a healthy balance sheet, with around FRF 10 billion debt set against FRF 24 billion in shareholders' equity.
- a balanced geographical spread and a wide product range, which together allow us to take immediate advantage of any upturn, wherever it occurs.
- markets where needs for building materials—for housing, infrastructure and renovation are undeniable, even if current economic trends are unfavorable.
- the will and the capacity to move ahead in keeping with a shared set of values.

Together, these strengths will enable us to successfully pursue our prime aim: ensuring the profitable operation of our group and serving the long-term interests of our shareholders.

Bertrand Collomb Chairman and Chief Executive Officer



worldwide leader of building materials

#### INTERNATIONAL CAPITAL MARKETS

# Flood of Eurosterling debt fails to reach market

A CASUAL glance at the international bond market at the end of last week would have left the impression that sterling corporate

debt was all the rage.
The UK government had just sold more than £1.3bn of the stuff, and British Gas had raised £300m through a 25-year bond issue. Surely the bond markets were not that hungry for Eurosterling – and from corporates in particular?

In reality, very little of this wave of debt actually found its way - or is likely to find its way - on to the market. In fact, just £229m of it is thought to have been put up for offer straight away.

Nearly £500m more was reportedly being restructured by investment banks before onward sale. The remaining £728m was bought back for cancellation by the companies which had issued it - though at least some of this could have an effect on the market eventually if the issuers seek to refinance.

The government's sale was instantly declared a success by the market, and a significant coup for Baring Brothers, which had masterminded the process. The bank organised a single auction in which different tranches of debt with different maturities and coupon rates

were put up for sale - a bit like trying to weigh bids for apples and oranges against each other.

Also, it wanted to harness market competition for the auction, even though only BT's debt could be bid for by outsiders. Covenants prevented the debt of the 12 electricity companies which was being sold, from being offered to anyone other than the companies themselves.

Baring's answer was a baseline for each tranche against which bids could be compared.

For each slice on offer, this was taken to be the yield that the issuer would have to pay to refinance the amount in the bond market, with a premium added to reflect the fact that the debt being sold off carried high interest rates - the debt eventually sold had paid interest of between 11.5 and 12.25 per cent.

The baseline was then reduced to make the whole exercise iss neutral for the issuers. Otherwise, they would have suffered an extra tax charge when buying and cancelling debt at a premium.

Of the £1.3bn eventually sold, only the £229m slice of BT deht bought by UBS Phillips & Drew -2006, the one with the longest maturity - was reoffered for immediate sale. UBS confirmed that the debt, which carried a coupon of 12.25 per cent, was being offered at a yield of 48 to 50 basis points over gilts. It refused to comment on market rumours that it had acquired the debt at a yield spread of 55 basis

Given the rarity of longer-dated BT paper - in fact, the rarity of any long-dated Eurosterling recently - it was not surprising

that good demand was reported. P&D's slice may have been the largest, but all of the debt sold in the auction was at maturities stretching to the year 2000 or

Bids had been more aggressive at that end of the yield curve, reflecting demand for higher-yielding paper as the sterling yield curve become steeper. It is no surprise that the next gilt auction, due shortly, is expected to be of bonds maturing in 2003.

Goldman Sachs, the only other bank to bid successfully, was said by rivals to be stripping the coupons from its £180m of BT debt with a coupon of 12.25 per cent, to be sold separately as a series of zero-coupon issues. This is a technique in which Goldman is the acknowledged leader in London. According to one

rival, this structure could squeeze up to 20 basis points more in yield terms out of the bonds.

Outside competition from these and other banks - and bidding from seven of the companies whose debt was up for sale - helped ensure what Baring and others said was a good price for the UK taxpayer. The average yield on the debt sold was a substantial 17 basis points lower than Baring's baseline

though no actual sale prices were published to enable the market to make up its own mind about the

Goldman was not the only bank rumoured to be preparing a stripped Eurosterling issue on Friday. BZW announced a 25-year private placement for British Gas which was seen by the market as a carbon copy of an issue for Boots earlier

Neither BZW nor the issuer would disclose how the bonds were structured. However, rivals said both the Boots and British Gas deals had involved early coupons being stripped and sold separately.

Payments to meet these coupons,

though treated for tax purposes as interest, would effectively be equivalent to capital repayments.

The announcement of the British

Gas deal, though not of its terms, prompted other banks which claim to have created similar structures to warn of possible retaliation from the taxman. "If we were doing it, we

would keep it extraordinarily quiet - the inland Revenue has screens too," one bank said. British Ges itself - in common

long-term money. The company expects short-term rates to continue to fall, with another half a point off five-year yields, said Mr Arthur Burgess,

Richard Waters

with other sterling issuers - has no plans at the moment to borrow

He expects longer-dated yields, on the other hand, to rise. British Gas, which is just entering its peak borrowing period of the year, plans to meet all its extra requirements through short-term credit lines and commercial paper.

Another structured deal did not even get out of the blocks last week: Kingfisher, the retailing group, had retained UBS to raise money in the Eurosterling market. However, problems with timing have now led to the issue being postponed until after Christmas, according to one

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the equity warrants, through rate not with \$200m outstanding. Coupon payer

INTERNATIONAL	BOND	ISSUES

Sorrowers	Amount m.	Maturity	Av. ille years	Coupon	Price	Book runner	Offer yield	Borrowers	Amount m.	Maturity	Av. life years	Co
US DOLLARS								CAR(d)#	100	1966	7	_
Yokokama Rubber Co.(a) Dalwa House Ind.Co.(b) Dalwa Development Bank	150 300 300	1996 1996 1999	4 4 7	2.375 8.875	100 100 99.69	Yamakhi int.(Europe) Nomura int. LTCB int.	6.932	Crédit Foncier de France(r) Ville de Paris	500 500	2002 1999	9.18 7	8.
Tomoku Co.(b)4 Bayerische Vereinsbank(c)‡ Republic of Finland(e)	70 50 2bn	1996 2002 1997	9.72 5	2.375 (c) 6.75	100 100 99.55	Nikko Europe Merrill Lynch Merrill Lynch int.	6.858	GUILDERS  Bit.Dutch Municipalities(f) VSB Gross	500 150	2002	10 B	7,
Kingdom of Sweden Square D Co.(f)§ Sumitomo Bk.Cap.Mkts.(g)‡	25n 232 50	1995 2003 2002	10.09 10	5.5 2 (0)	99,42 64,659 100	JP Morgan Secs. Lehman Bros.Int. Sumitono Firemes Int.	5.716	SHV Holdings AUSTRALIAN DOLLARS	200	2003	10	,
LKB Baden-W'berg Fin. Isveimer(i)‡ World Bank(m)‡	150 50	1997 1997 2002	5 9.9	6.25 (/) (m)	99.638 100 100	Nomura int. Morgan Stanley Int. Lehman Bros.Int.	6.396	Credit Lyonnals Australia EBRD(o) Finnish Export Credit	75 50 75	1997 2002 1905	5 9.85 7	8.
IBM Japan Benco Sudameris Bra.(e.p) Toyota Motor Credit Corp. Swedish Export Credit(s):	250 70 250 50	1997 1995 1994 2002	5 2.5 5 9.91	6.5 10.25 2 (s)	101.273 99.31 100.675 (s)	Paribas Cap.Mids.	6.196 10.571 4.639	SWISS FRANCS Dalwa House Ind.Co.(b)	300	1996 1996	1	2
YEN Becom Co.(n) Shin Miklei Co. Kingdom of Belgium	30bn 10bn 75bn	1998 1999 1999	5.3 6.25 7	2 5.4 5	100 101.66 99.71	Nomura Int. Numura Int. Numura Int.	5.081 5.050	Takara Standard Co.())+Ark Toyo Chemical(b)+Ark Du Pont de Nemoure+Ark LLIZEMBOURG FRANCS	100 25 180	1996 1998 2000	4 7	2.
Mazda Motor Corp. Mazda Motor Corp. D-MARKS	20 <b>b</b> n 10 <b>b</b> n	2001 2000	8.26 7.26	5.5 5.45	101.55	Nomura int. Banca del Gottando	5.215 5.159	SLCI(it) Crédit Commercial de Fr. Final terms and non-cultable sole	300 1bn ss stated. +	1999 2003 ht-Private ph	7 10 coment. \$0	S Sonve
Metropolis of Tokyo Basque Regional Govt. Nikkan Foods Co.(h)t <del>irk</del> rish Telecom.kv. Europäische Hypo-benk	380 200 12 300 100	1998	9.99 10 4 - 7 6	7.978 8 (h) 7.75 7.875	100 102 101.7	IBJ(Deutch.) Goldman Bacha Sumitomo(Deutsch.) Dresdner Bank Frankfurter Hypo-bank	7.149 7.731 7.374 7.145	promism itsed at approximately 2 6-mostly Libor. Minimum coupon i 9-1/6 illued annual for first year a shares. Conversion premises fised ised annual threatier. It Coupo serres tised on 28/11/82, if Full ma Lucembourg. Coupon pt/ps 75bp a	1%, miximu nd 22 k % - 0 at 11.7%. On pays 405; me of borro boys 6-mon	m 10%, d) F 8-month Pibo Callable from 5 over 6-mon wer; "Social th Libor, Cell	uil nume of r theregiper. 1111/97, g) St Liber. I) i Lorraine d labfe and pu	e) C Coup Indus to Cré
Ando Corp.(q)†*** STERLING Suedwesideutscha Lbk	100	1996 2002 2017	10 25	(q) 8.825	100	DKB(Deutsch.) Lehman Bros.Int.	8,402	outstanding. Coupon pays 28th be price Y8382. Callable from 14762- 12% per annum. o) Fungible will Sudarneris' 56% sherehoking in outstanding. a) Fungible with 376 6-month Libor. Minimum coupon i	- subject to h A8300m I borrower	share price i conds launci falls below	seing 125% sed on 17/6 51%, as Co	of co 1/92.

RISK AND REWARD

# Borrowers take a chance on 'diffs' as swaps' allure dims

OUGH conditions in the cally runs from three to five years, awaps market have made it harder than ever for companies to borrow cheaply, encouraging some to opt for more radical solutions. In the process, some compa-nies — and their financial interme-

diaries — are taking on substantially bigger risks, During the 1980s, companies were able to borrow at levels well below the London interbank offered rate (Libor) by swapping the fixed-rate money they raised through bond offerings into floating-rate financing. Now, only the best-rated borrowers can hope to do this.

Falling US interest rates have squeezed the availability of swaps in the dollar market. Borrowers have been unwilling to lock themselves into fixed-rate interest costs, while rates are expected to ease fur-ther. The result: fewer people willing to pay the fixed-rate leg of a

swap agreement.
Other factors have also contributed to the decline in the swap market's attractions. The growing sophistication of investors and intermediaries and a breakdown of the barriers between domestic markets have eroded the opportunities for arbitrage between markets. At the same time, bond and swap markets have become tightly linked, so that price movements in one are

quickly transmitted into the other. "Swaps and bonds have become much more closely correlated. Those who want cheap funding are now having to take risks to get it," said Mr Nick Burge, executive director at Nomura International.

The most successful product this year has been the differential or "diff" swap, also known as the "quanto" swap, which allows a borrower to separate currency and interest rate exposure, by paying interest rates based on one currency while taking the currency risk of another.

For example, a company with D-Mark liabilities, paying say 8 per cent interest, may look enviously at dollar rates of 31/4 per cent. Under a differential swap agreement, the company agrees to receive D-Mark Libor in D-Marks, and to pay a mar-gin over dollar Libor in D-Marks. The structure takes advantage of different-shaped yield curves to cre-ate immediate cost savings for the borrower. Such an agreement typiso the borrower is essentially betting that the shift in interest rates will be slower than the yield curve

suggests.
"There are monetary policy pressures to keep short-term interest rates low, and supply fears to keep rates high at the long end [of the dollar market]," says Mr Ron Tane-mura, heed of fixed-income derivatives products at Salomon Brothers.

The risk for the company is that if US interest rates rise or D-Mark interest rates fall more quickly than expected, planned cost savings could soon be replaced by losses. Because it is more complicated than also more difficult to unwind.

The financial intermediary assumes substantially greater risk than in a normal swap. Currency risk, artificially separated from interest rate risk in this way, is very difficult to hedge, since there is no direct correlation between currency and interest rate movements.

"Diff swaps are more difficult to manage than a straightforward swap," says Mr Malcolm Basing, who heads the International Swaps Dealers Association. "It's not something you can put into the top drawer and forget about."

Diff swaps require what is known as dynamic hedging, which means that hedges must be constantly adjusted in line with the latest

Even then, there is the risk that assumed correlation between interest rates and currencies will suddenly disappear.

According to swap specialists, the structure of differential swaps is now widely understood, but the methods of hedging residual exposure remain proprietary.

Diff swap technology has also been applied to suit investors' requirements. Credit for the concept is claimed by Credit Suisse Financial Products, which began marketing diff swaps to Japanese investors in early 1991. There could be room for further

product expansion. According to Mr Chris Goekjian, head of risk management at CSFP, it may be that "not all the applications [of diff swap technology] have been devel-

**Tracy Corrigan** 



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FUTURES PAGER I

Market Myths and Duff Forecasts for 1992 The recession is over; stockmarkets are in a buil trend, the US do continue to recover." You did NOT read that in Fullers fant

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# A better understanding of derivatives often leads to an enhanced investment yield.

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**EUROPEAN GOVERNMENT BONDS** 

# Investors favour safe haven of D-Mark bloc Markets cast a wary eye

THE weekend realignment of the European exchange rate mechanism. which saw the devaluations of the Spanish peseta and the Portuguese escudo by 6 per cent each, is unlikely to relieve the tensions in Europe's currency grid unless German rates are cut

Economists expect further weakening in some of the high-yielding European government bond markets as dealers and investors continue to favour the

safe haven of the D-Mark bloc. While Spain and Portugal may escape

other weaker EMS currencies - the Irish punt and the Danish krone could still come under attack, analysts "The changes [at the weekend] were

too piecemeal to be sufficient to forestall further pressures," said Mr Avinash Persaud, senior currency economist at UBS Phillips & Drew.

Last week's currency turmoil started in Sweden, and as the Swedish krona buckled, the wave of speculation spread

further speculative pressure in the for-eign exchange markets this week, the peseta, escudo, Danish krone and punt. In the bond markets, investors continued to favour the safety of the D-Mark bloc at the expense of peripheral European bond markets.

While the decision by Spain and Portugal to devalue within the EMS was welcomed, bond analysts warned question marks still remained over the ability of the Irish and Danish currencies to weather the latest turbulence. Spreads of Spanish, Portuguese and Italian government bonds over German bunds are

likely to remain wide, as fears of fur-ther currency weakness prevail. Mr George Magnus, economist at S. G. Warburg Securities, said Denmark may escape further speculative pressures following Friday's decision to

raise domestic interest rates to 15 per cent. However, other economists warned the weaker currencies were likely to remain under pressure in the next few days, particularly if German interest rates are unchanged.

announce plans to scrap an

eight-year-old restriction which

had previously prevented it

from borrowing abroad to

This proposal could be pos-

tive for the domestic market, if

it results in a significant

switch in the government's

Mr Lars Boman, deputy director of the National Debt

finance its debts.

funding strategy.

Swedish currency.

U.S. BELLAR STRANGH

Sara Webb

# Floating krona leads to rapid readjustment in Sweden

entered a period of rapid readjustment following the government's decision on Thursday to let the krona float. For the first time in four years, the country ended the week with a positive yield curve, and the expecta-tion is that it will steepen, at least in the short term. Yields responded immedi-

ately to the flotation news, failing sharply on Thursday and continuing their decline at the short-end on Friday.

On Friday night, the yield for beuchmark five-year gov-ernment bonds stood at 9.90 that Sweden will follow Fin-tourse. Meanwhile, Sweden's

per cent on Thursday and 11.85 per cent before the krona was set free, while the bond due ed at 10.29 per cent.

At these levels the market is already discounting cuts in short-term interest rates. Those hoping for an early move by the Riksbank, the central bank, on Friday may have been disappointed, as the overnight rate was held at 12.5 per cent, but rates are expected to come down to 10-11 per cent

cautiously, rather than relaxing monetary policy substantially as the UK has done since it left the ERM.

Mr Bengt Dennis, Riksbank governor, made it clear late last week that keeping inflation under control remained a top priority. Not only that, but the government would be anxious to re-establish some credibility by not allowing the currency to weaken unduly.

No doubt a firm statement on future monetary and fiscal

SWEDEN'S bond market has per cent, compared with 10.20 land by bringing rates down spiralling budget deficit, aggravated by the domestic recession and the bail-out of the banking system, will be a key influence on market sentiment.

The budget deficit will reach SKr166bn (\$24.75hn) in 1992-93, according to the latest government calculation, but others put the figure much higher. Some suggest the public sector borrowing requirement in the coming year might be as much as 18 per cent of GDP.

Office's international market It is not surprising, therefore, that the government has decided to widen its funding possibilities, using the occa-

department, said: "The major part of the budget deficit will still be financed in the Swedish market." If so, domestic players will predominate. Local dealers do not expect much for-eign participation in krona-

> Christopher Brown-Humes

denominated issues, given the

uncertain direction of the

# over money supply figures

AFTER a long absence, the money supply is back in focus. out of hand, recent indications Although it never really went away, it did in the minds of bond market investors, who in their eagerness to embrace the Federal Reserve's more relaxed monetary stance, stopped worrying about the money supply earlier this year.

Now that M2 - which includes currency in circulation. bank accounts, money market funds and certificates of deposit, and is the broadest and most closely observed measure of money - is growing faster than anyone expected, the market is once again casting a wary eye on the money numbers.

The latest data, showing a \$6.6bn increase in M2 during the first full week of November - well above analysts' forecasts of a \$1bn increase - and an annual rate of 2.5 per cent growth, meant that money supply growth was back in the Fed's target range of between 2.5 per cent and 6.5 per cent for the first time since early May. Taking more recent data, M2 has grown at a healthy 5 per cent annual rate since it hit

bottom in July. What this means is that monetary policy is more likely to stay on hold. Moreover, those who are betting on the next move in interest rates being up, rather than down, may prove to have backed the right horse.

of reviving consumer confidence - although it may prove to be a short-lived post-election burst - and the likelihood of a fiscal stimulus package in the early days of the Clinton presidency, suggests expectations

Those who are betting on the next move in interest rates being up, rather than down, may prove to have backed the right horse

that the money supply will expand at more rapidly over

the next six months can only

This, says Mr Mitchell Held, credit market economist at Smith Barney in New York, could spell trouble: "Inflation remains only a distant concern for the market at the moment, but rising growth expectations combined with above-target monetary growth could make for a revival of inflation fears, and for shaky market conditions, later this year or in early

Analysts believe rising loan demand is behind the resurgence in money growth. Both commercial and industrial loan volume has picked up recently. while third-quarter bank earnings reports suggest that con-sumer loan activity has been on the increase. Fed surveys,

FT/ISMA INTERNATIONAL BOND SERVICE

that small business loans are also up. The evidence has led some observers to claim that

the credit crunch is over. However, before the inflation hawks get too excited, there are important factors to consider which some economists believe will ensure that money growth and inflation do not take off into the stratosphere over the next few years.

According to Mr Held, some The likelihood that the consumer sector of the economy, still debt-averse and facing higher local taxes and rising health and education costs, will not perform as strongly as in previous post-recessionary

 A residential housing sector that will remain subdued because of demographic changes that will limit growth in the first-time home buying

population:

• Below-normal growth in the commercial property sector; Continued corporate downsizing and restructuring:

 Only a modest fiscal stimulus package from the Clinton administration; and Continued cuts in defence

Taken together, these structural forces should keep economic growth in a non-inflationary range of between 2 and 3 per cent, says Smith Barney.

Patrick Harverson

ROPE 43/498...

## Gilts slip on worries over UK funding needs

Against German bonds, gilts

also suffered due to last week's strains on European currency markets which pushed funds out of weak currencies into the D-Mark and led to the week-

yield curve had been widely anticipated. The turnround brought to an end a generally bealthy period for gilts since the devaluation of sterling in mid-September. Short-dated gilts turned down partly because of the perception that further cuts in UK base rates are unlikely by the end of the year, while longer-dated securities fell on inflation worries and concern about funding.

The short-dated Treasury 8% per cent stock maturing in 1997 lost ground by about a third of

GILTS edged down last week a point during the week, being quoted on Friday night at 1063. The yield was pushed up 8 basis points during the week to 7.18 per cent. At the other end of the yield curve, the 8% per cent Treasury bond due in 2017 lost about 1 point to 98%, with the yield rising 9 basis points

to 8.85 per cent. end's ERM realignment.

The falls in prices along the Mr Nigel Richardson of S. G. Warburg Securities, the government will need to issue £5bn worth of gilts by the end of this financial year - even taking into account the auction of an expected £3bn or so worth of gilts on December 2

This estimate is much higher than that of many economists prior to the Autumn Statement on November 12, which said the government would need to borrow £37bn this financial year, rather than the £28bn forecast eight months ago. The escalation is almost totally due to higher spending and weaker tax revenues triggered by the

longer-than-expected recession. While more than £1bn a month of gilts seems likely to be on offer to institutions until next April, the funding needs in 1993-94 will be even greater. About £55hn of new securities could find their way into the market, driving up yields and pushing down prices along the yield curve.

As funding became a talking point, scraps of evidence last week pointed to a faint improvement for the UK economy. Some believe this means inflationary pressures could become a problem next year. The 0.9 per cent increase in retail sales volumes in the three months to October compared with May-July may signal increased consumer spending, while October also saw a 25.1bn rise in bank and building society lending.

While no-one is trumpeting an end to the recession, many gilt investors are reasoning that the worst may be over. This points to a period of rela-

tive decline for gilt prices. As strains emerged in the ERM last week, gilt yield spreads over German bunds widened. Two weeks ago, yields for 10-year gilts were 78 basis points above their German equivalent which widened to 114 basis points on Friday.

Over the same period, the yield spread between 10-year gilts and the comparable French bonds rose from 8 to 38 basis points. According to Mr Sanjay Joshi, an analyst at Daiwa, the trend to higher gilts yields will continue as investors "look more at the fundamentals of what is happening to the UK economy compared to other parts of Europe".

Peter Marsh

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The FT proposes to publish this survey on November 30 1992. Decision makers in over 160 countries worldwide will see this survey. If you want to reach

audience, call Denis Cody in New York Tel: 212-752-4500 Fax: 212-319-0704

this important

Richard Huggins Tel: 071-873-3688 Fax: 071-873-3078

FT SURVEYS

E 7 3/4 % 0 8 1/2 % 0 170 57 8 3/4 % FIN 0 % BUCX EVRO 9 3/4 % RANCE 7 1/4 06 ... ORF #81/297 1 AND 7 5/8 00 PAR DEV BK 5 1/2 94 BE 6 3/8 01 81/29 78 % 7 10 5/6 95. DEV 7 1/4 00 .... FIC71/296... R FIN SERV 094... DB B 7/801 THE RGLE BEHEER 8 3/4 98 ...... MORT 0.2 19 5 DIAME RK-0 15 95 RM 72 07 ANGLIA 13 172 00...... WER 75/8 02

ise premium over current skurë prica. Bond warrant ex yid - exercise yield at qurent wantant, price,

Despite the adverse economic climate, the L'OREAL group's turnover for the first nine months of 1992 has progressed satisfactorily. Consolidated tumover for the first nine months of the year has risen to

FF 28 billion representing a growth of 8.93 %, on a comparable basis to 1991. The group hopes to maintain this rate of growth for the rest of 1992 and therefore hopes to achieve, on a comparable basis, a similar progression of its consolidated sales to last year (9.6%).

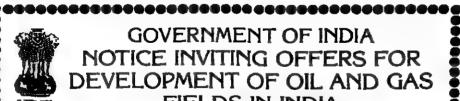
Consolidated turnover for the first nine months of 1992 graw by 10.85% compared to figures reported for the same period last year. This figure reflects the strong negative effect of disruptive monetary factors in the third

L'OREAL converts all sales earned in foreign currencies during the course

of the year at official exchange rates prevailing on the last day of the Given the current exchange rate movements, the Group hopes to achieve a progression in its published consolidated turnover of between 12%

and 13% for the whole year. As far as profits are concerned, the group's forecasts remain unchanged.

Further information on the Group worldwide can be obtained by writing to Mr. François ARCHAMBAULT, Director of Investor Relations and Bu Information of the L'OREAL group, Office No. A 0403, 41, rue Martre, 92117 CLICHY (FRANCE); or by fax: (33-1) 47 56 86 42; or by telex: 613 088 (PARIS).



GOVERNMENT OF INDIA NOTICE INVITING OFFERS FOR DEVELOPMENT OF OIL AND GAS FIELDS IN INDIA

#### EXTENSION OF BID DEADLINE

The Government of India had earlier announced the offer of twelve medium-sized and thirty-one small-sized discovered fields for development under joint venture/ production sharing arrangements. In order to enable companies to carry out a thorough evaluation of the voluminous data on these fields, it has been decided to extend the last date for receipt of offers in respect of both the medium-sized and small-sized fields to Wednesday, 31st March, 1993.

Companies wishing to submit offers for development of fields should ensure that those are sent so as to reach latest by 3.00 P.M. on Wednesday, 31st March, 1993 to:

Mr. Naresh Daval Joint Secretary (Exploration), Government of India, Ministry of Petroleum & Natural Gas. Room No. 211-'A' Wing, Shastri Bhavan, Dr. Rajendra Prasad Road, New Delhi-110 001, INDIA.

1.72

**ECONOMICS** 

# All eyes on German inflation

7

France, third quarter GDP (up

0.1 per cent on previous

quarter); US, October durable

goods orders (up 1 per cent),

October durable shipments,

November consumer confidence (60.0), car sales

November 11-20 (6.2m); Japan,

October money supply (down

0.4 per cent). October broad liquidity.

US, preliminary third quarter

GDP figures (up 28 per cent), third quarter after tax

corporate profit (up 0.4 per cent). October existing home

sales, October export price

index. October import price

index; Canada, September wholesale trade (up 0.1 per

cent), September departmental

store sales (up 0.4 per cent);

Japan, November trade

balance first ten days, Bank of

Japan Governor Mieno to deliver speech; Australia,

October motor vehicle

Japan, October retail sales

(down 2.4 per cent); Australia,

third quarter private capital expenditure (up 1.8 per cent);

employment earnings (up 2 per

cent on year), October industrial product price

index (up 0.3 per cent), October

raw material price index

(up 0.5 per cent); US, holiday.

US

Wednesday:

registrations.

Thursday:

Canada.

IMPORTANT indicators on German inflation this week could have significant ramifications for European countries locked into the exchange rate mechanism. Another big jump in the November consumer prices index will delay further easing of German interest rates by the Bundesbank, which will force

their lending rates high. Last month, the annual rate of consumer price rises shot up to 3.7 per cent from 3.5 per cent, reversing an almost continuous downwards direction which began in the So this week's data will be

other ERM members to keep

watched carefully to see whether the October figure was an aberration, or the beginning of an upwards turn. "If November does not see a substantial declaration in the inflation rate, the chances of the Bundesbank tolerating any further easing - in official or unofficial interest rates - is approximately zero," says Ms Alison Cottrell, international economist at Midland Global

Figures for German M3 growth in October are also out

Market research.

The data will inevitably be distorted by the extensive foreign exchange intervention that took place in September as the ERM came under severe

In the UK, the most important figures are the trade

Germany Cost of fiving (annual % change)

1.00 1901 1992 Autor Deserved 1998 W. Germany

statistics, released today: These are expected to show a rise in the visible trade deficit to around £1.2bn, from £1.1bn in September. Other economic highlights of the week follow.

The figures in brackets are the median of City economists' forecasts, from MMS International, a financial information company.

UK. October visible trade (£1.2bn deficit), October current account (£1.1bn deficit): France, October trade balance (Fr2bn surplus); US, October Treasury budget (\$43bn); Canada, September retail sales (up 0.4 per cent); Japan, national holiday, all industrial markets are closed during the (up 0.0 day: Brussels, the all regular EcoFin meeting. closed; Bundesbank meeting.

Germany, OETV union announces 1993 demand, third reading on budget, Bundesrat meeting; US, October personal income (up 0.5 per cent), October personal consumption expenditure (up 0.6 per cent). money supply data for week ended November 16, October bank credit; Japan, November consumer price index, Tokyo (up 1 per cent), excluding perishables (up 2.2 per cent), nation (up 1 per cent), excluding perishables (up 2.1 per cent). October industrial production (down 2.4 per cent).

During the week:

Germany, October Import prices (down 0.1 per cent on month, down 5 per cent on year), November provisional cost of living (up 0.3 per cent on month, 3.5 per cent on year); Italy, November consumer prices index, cities (up 5.1 per cent on year). October bank lending (up 11.5 per cent), October M2 (up 6 per cent on year), October cumulative (L28.5trillion). October balance of payments (L7.5trillion deficit), October trade balance (L1.9trillion deficit), October net official reserves (L36.5trillion); Belgium, November CPI (up 2.1 per cent on year); Finland, September

**Emma Tucker** 

Germany,

Lords: Backbench

(Liability) Bill. committee. **THURSDAY** 

Debate on the management of the

Lords: Registered Homes (Northern ireland) Order. Privata Streets (Amendment) (Northern Ireland) Order, Debate on EC

# FRIDAY Commons: Backbench debate on Britain's relationship with the Arab world. In particular Libya

Bill, second reading.

RESULTS DUE

COMPETITIVE pressures in group, will reveal the damage worsened over the summer period, and will be commented on this week by both food manufacturers and retailers. Argyll, the Safeway supermarket group, should still show a good increase in Interim pre-tax profits when it

reports on Tuesday. Estimates are for a rise from £177.8m recorded a year ago to 2200m or so this time. Argyll is expected to have achieved better sales growth

than its main competitors and margins are rising. On Wednesday Tate & Lyle, the sugar and sweeteners

the food industry have caused in the US from overcapacity in the sweetener market and the delay in getting approval for Sucralose, its calorie-free sugar substi-

> Provisions, redundancy costs and the start-up costs for Sucralose will cut profits for the year to end September from E234.9m to around £190m. Northern Foods by contrast, will on Thursday announce higher interim profits of 267 to £68m against £55.2m, despite

interest higher depreciation charges and a competitive squeeze on some divisions.

Growth in earnings per share will be limited after last year's rights issue to pay for the Express acquisition.

Kwik Save is expected on Wednesday to report an increase of about 10 per cent in pre-tax profits for the year ended August to about £112m from £181.7m. Its market share is thought

to have increased from 7.8 per cent a year ago to around 9 per cent. Interim results from

Thorn-EMI on Tuesday are expected to provide little excitement as the music business has been in the doldrums.

Thorn itself has warned the City not to expect too much while the newly acquired Virgin music business will have made virtually no contribution in the first half.

The rental business, however, has remained fairly resilient and forecasts for the interim are for around £95m (294.9m).

Barnings are likely to be diluted by about 17 per cent to 15p due to the Virgin acquisi-

Thorn is likely to face questioning from analysts about the impact of the slowdown in the music market, particularly in Europe.

**UK COMPANIES** 

IN YORAY
ODAPAY MEETINGS.
Geoderle, Grace Hearton Hell,
Geogleton, Cheshire, 10.00
Flaggain (Jerts), Keighley, West
Herry Ventures, 7 West Mile
Street, Clasgow, 12.50.
Bereta, Norak Court, 195 Marsh
Wall, E., 230.
Ber Cesspoin, 7 The Soulevator
Ser Cesspoin, 7 The Soulevator none Lane, Wattord, Heris. 10.00. IRDARID MINITHAS: Rinals: Anglo Irish Benks Chemez Jail.

Falker & Stell

Caledonia invs. City of Leadon PR

com A Tre

The Minories State, Charaber of Shipping, 2-8 Minories State, Charaber of Shipping, 2-8 Minories SC, Swape Group, Corrill Mill, Park Steet, Nr. St. Atbans, Herts., vi 0.8. Wigglins Grotp, Indian Institute, Puttend Place, SW., 13 09. BCARD MEETINGS.
Finals:

Weish Water EFRIDAYNOV.27 COMPANY MEETIN

LEEDS The FT proposes to publish this survey on

December 10 1992.
The FT is the best read publication among senior European executives taking strategic decisions about strategic decisions about international operations of their company (26%) and among Europe's top chief executives (54%). 
For a full editorial synopsis or advertisement details call Hugh Westmacort Tel: 0532 454969
Fax: 0532 423516
Permanent House,
The Headnow,

The Headrow, Leeds, LSI SDF

Data sources: \* EBRS 1991 | Chief Executives in Europe FT SURVEYS

Duchy of Lancaster.Debate opened by the Opposition on 'Conduct of ministers on arms exports to Iraq". Lords: Foreign Com-

Chancellor of the

WITODAY

to Transport

pensation (Amendment) Bill, committee. Agriculture Bill, second reading, Food Protection (Emergency Prohibitions) Lead in Ducks and Geese) (England)

PARLIAMENTARY DIARY

Order, Backbench Commons: Questions debate on the future of the Caribbean. ministers and the

TOMORROW: Commons Defence questions, 3,15pm Questions to the Prime Minister. Debate on EC budget.

> Lords: Clean Air Bill, second reading. European Economic Area Bill, third reading. Sea Fish (Conservation) Bill, report. Backbench debate on the Immigration and Nationality

Department. **■ WEDNESDAY** 

markets

September

Commons: Foreign Office questions Debate on MPs' pay, Car Tax (Abolition) Bill, all stages.

debate on unemployment. Armed Forces

Commons: Northern ireland questions. 3.15pm Questions to the Prime Minister.

human rights report. **Hereditary Peerages** 

public service.

Lords: Not sitting.

#### **DIVIDEND & INTEREST PAYMENTS**

**ETODAY** Allied Irish Banks Undated TOMORROW Community Hospitals 4.1p Everest 4.8p Goodwin 0.655p Mitsubishi TSL Fin. (Asia) Fitg. to Fixed Rate Gtd. Nis. 2011 2221 32 Var. Rate Nys \$122.40 Brent Chemicals Intl. 1.6p Doeflex 1.6p Gent (S.R.) 1.25c ntereurope Tech. Servs. Northern Rock Bldg Society Fitg. Rate \$273.36

Leeds Permanent Bidg. Society Fitg. Rate Nts. 1997 2208 23 Renishaw 4p Ross 0.2p Security Pacific Fitg. Rate Sub. Cap. Nts. 1997 \$127.76 rwood Group 0.9p tag Furniture 1.5p Sunderland (Boro 11 % % Red. 2008 £5.875

Suter 3.2p Trinidad & Tobago (Rep.

Aluminium Co. of Amer. Broken Hill Prop. A\$0.195 Eaton Corp. \$0.55 Hong Kong Inv. Tal. 1p Merrill Lynch \$0.30 Murray Ventures 6.9p Unilever Capital 978 % Gtd. Nrs. 1982 5483.75

CS0.29

Redland Funding 103, % Gtd. 2014 £1075

Royal Bank of Canada

United Uniform Servs. 1p Watts, Blake, Bearne 2.7p Barclays Bank 914 % 1999 Blue Circle 3,75p BTR 7.75p Can. & Foreign Securities \$8.35 Clarkson (Horace) 0.5p Domestic & General 12p Erith 0.35p Gartmore Scot. inv. Tst. inc. Shs. 3.2p

Do. Package Units 28 Gencor R0.29 BWEDNESOAYNOV.25 Oriel 2p Prudential 4.1p

Do. Managed Sterling 3.90 Do. Sterling Deposit 1.47p Do. Swiss Franc Deposit Do. US Dollar Deposit \$0.0227 Do. Yen Deposit Y65,325 Standard Chartered Sub Fito. Rate Nts. 1996 £137.15 Tharsis 2p Woolwich Bldg. Society Fitg. Rate Ln. Nts. 1995

EFTEDAYNOV.27 Lloyds Eurofinance Gtd Fitg. Rate Nts. 1996 £137.47 New Zealand Fitg. Rate Nts. 1997 £130.63 Prudential Money Funds Ptg. Red Pf. Deutschemark Deposit DM1.9283

Adwest 5.75p Allied Irish Benks Undated Fitg. Rate Nts. \$269.79 APV 2p Avonside 1.8p Bank of Montreal C\$0.53 Bostrom 2.50 Brierley Invs. NZ\$0.05 British & Amer. Film 3.8p

Do. Managed US Dollar \$2.1976

6.125% 2001 Y5125 Commerzbank O'seas. Fin. Fitg. Rate Nts. 1995 \$515.89 Delyn 0.5p Evered Bardon 0.8p Galliford 3.35p Haggas (John) 2p Hampden 0.2p Housing Finance 1112% Deb. 2016 05.75 Instem 0.13p Lilleshall 1.6p Murray Intl. Tst. 2.6p NKK 6.2% 2002 Y167056 Raine Inds. 4p Redland Sterling Funding 10% % Gtd. 2001 £108.75 T & S Stores 2.4p

British Fittings 0.5p

British Polythene Inds.

3.5p Chubu Electric Power

#### CONTRACTS & TENDERS

#### Invitation for Offers Timeshare Resort, Located in St. George, Bermuda

Price Waterhouse Limited, in its capacity as Agent for the Mortgagee of the St. George's Club, is inviting offers for the purchase of the St. George's club located in St. George Bermuda.

The St. George's Club is a luxury timeshare resort comprising 28 one bedroom cottages, and 37 two bedroom cottages. Facilities at the Club include tennis courts, private beach club, three swimming pools, three restaurants, convenience store and many other

in addition to the existing cottages, 4 two bedroom cottages are under construction, with completion scheduled for February 1993. Government permission has been sought for the construction of a further 112

The highest or any offer will not necessarily by accepted. Offers are subject to terms and conditions. This invitation will be open until 5:00 p.m. Bermuda time on December 14, 1992. For an information package or appointment to view the premises, please contact Mr. Richard Kempe.

Price Waterhouse Limited 7 Reid Street Hamilton, Sermuda Tel: (809) 295-4271 Fax: (809) 295-9797

Price Waterhouse



#### COMPANY NOTICE

#### **GENERAL MOTORS CORPORATION**

NOTICE IS HEREBY GIVEN that resulting from the corporation's declaration of a dividend of \$0.20 (gross) per share of the common stock of the corporation payable on the 10th December 1992 there will become due in respect of the bearer depositary receipts in gross distribution of 1.00 cent per unit. The depositary will give further notice of the sterling equivalent of the net distribution per unit payable on and after the 15th

December 1992. All claims must be accompanied by a completed claim form and USA tax declaration obtainable from the depositary. Claimants other than UK banks and members of the Stock Exchange must lodge their bearer depositary receipts for marking. Postal claims cannot be accepted. The corporation's third quarter reports for 1992 will be available upon application to the depositary named below.

> Barclays Bank PLC Stock Exchange Services Department 188 Fenchurch Street, London EC3P 3HP

#### GOVERNMENT OF COSTA RICA MINISTERIO DE HACIENDA (MINISTRY OF FINANCE) PROVEEDURIA NACIONAL (NATIONAL PROCUREMENT OFFICE)

EXPRESSIONS OF INTEREST BY CONSULTING FIRMS willing to be considered in the selection of a short list of tants who will be asked to submit proposals for the direct contracting of consulting services to supervise the onstruction works of the Cludad Colon - Orotina Highway in Costa Rica

NOTICE The National Procurement Office of the Ministry of Pinance, hereby invites coast The National Protestement Office of the substrate of the Interest investment (into experienced in the supervision of highway and bridge construction works, which are "bona fide" nationals of member countries of the Interametican Dovelopment Bank (IDB), to submit their expressions of interest to be considered in the above mentioned selection. Interested firms should preferably be already registered with meanqued selection. Interested tirms such registered with IDB will be requested to fill out the IDBs DACON 1600 form in due time. Interested Consultants are advised that the present selection process has no relation whatsoever with a previous one, which was carried out earlier for the same purpose.

The National Procurement Office will receive expressions of interest until 9:00 hours.

on December 23, 1992. With the objective of determining the capability, capacity and experience of the applicants, the expressions of interest shall be submitted jointly with the following, but not limited to, information:

1. Organization of the firm.
2. Experience of the firm in supervising similar highway projects, as well as international work experience in the region and other countries.
3. List of key personnel, indicating for each professional the mamber of years of experience in his field of specialization and the level of command of the

Speams reguage.

Updated list of the public organizations and institutions, private organizations and others, to which the consulting firm is at present rendering services, with a description of such services, the total amount of each contract, date of a description of such services, the total amount of each co-commencing work and estimated date of completion.

<u>Audited Spancial statements</u> for the last three fiscal years, as

certified Notes to the statements.

Should the application be anhealized by the firm through a local rep a power of attorney to the authorized person should be presented. In this sam document that delegates the authorized person to act on behalf of the firm, th country and accepts to submit itself to the Costs Ricus h Said power of attorney is to comply with the requirem confidences and authentications. laster should expressly declare that it renounces to the laws and tribunals of its nit itself to the Costa Rican laws and tribe

centifications and authentications.

In addition to the preceding information, the firm should uniquit evidence that is emplies with the following requirements.

To have an excellent ethical and professional reputation; and

not to be in any situation or work relation, which may cause wissiever possible. conflict of interests.

The above information and decuments should be submitted in Spanish, in one original

and two copies, with a covering loner, also in Spanish.

DESCRIPTION OF THE PROJECT The project communication is divided in the following three sect SECTION I: CRUDAD COLON-RIO GRANDE

EECTION E: CRIDAD COLON... 210 CEANDE.

This road section shall be 16.74km long and 7.30m wide and is to be paved with bitsminous concrete. For Section 1 and II, however, the option of using concrete pavement in lieu of bitsminous concrete and hate is being considered by the Ministry. This section includes two access roads, El Coyol and Turnicayas, 14 overpasses, the total length of each one being bowers 25m and 16m, a 30m long bridge over Ric Segundo with prestreased beams supported by a reinforced concrete structure and approximately 95 box culverts.

SECTION E: REO GRANDE - OROTINA.

This merita shall be 22.51km tone and 7.75km mids a bitmeries.

This section shall be 22.51km long and 7.30m wide, a bituminous concrete pavement shall be provided. It includes three access roads, Atenas, Bacohal and San Pablo, 3 overpannes and 2 interchanges whose total length varies from 25m to 60m, a 55m long bridge over Rio Grande do Tarcolos and approximately 130 box culvots. This section includes the construction of bridges of various lengths over the following riv

Quebrada Concepción ............299m length Quebrada Salitzal Rio Chueba 126m length Rio Grando \_\_\_\_\_236m length
The tetal cost of the construction wades is estimated to be USSS6.9 million. Th project is financed jointly by the Interametican Development Bank (IDB), the estment Fund of Venezuela (FIV) and the Government of Costa Rica. The project construction period in established in 36 months, while the the

ting first to complete its work is 46 months. the constiting first to complete its work is 46 months.
FURTHER INFORMATION ON THE PROJECT IS AVAILABLE AT THE
EDILOWING ADDRESS: Ministerio de Hacienda, Provendação N

SUPPLIER

(506) 20-2467 (506) 31-7644

(506) 20-2471

Apertado Postal 5016, 1000 an José Costa Rica Telephones: (\$06) 20-3473 (506) 31-7561 San José, Costa Rica San José, <u>11 da novembra 1992</u> Olga Marta Alfaro Salas

Tel: 0225 466744. Pax: 0225 422903.

## **CONFERENCES & EXHIBITIONS**

NOVEMBER 25 Remuneration Strategies For

teducing salary costs and motivating staff do not have to be mutually exclusive. This seminar for owner managers provides proven ideas on achieving competitive advantage using the latest tax developments. Contact: David Wilkinson, Breat & Young, Tel: 071 931 2335. Perc 071 353 8134.

LONDON

MOVEMBER 26

Financial Reporting in The UK The conference will review the Accounting Standards Beard's progress and proposals for the treatment of capital instruments, profit and loss accounts, the operating raview, off-balance sheet instruments and intengibles. Enquiries: Financial Times.

Tel: 071-251 9321. Par: 071-251 4686. LONDON

NOVEMBER 26 investment India '92 Last chance to attend the most impo

country investment conference. Is india worth a closer look? How do I set up there? Can I repairiate may profits? Arthur Andersen, Masons Solicitors; Linklaters & Paines discuss the options. Official Conferen Tel: 081 459 7202/451 3188.

LONDON NOVEMBER 26 Marketing for the Profes and Service Businesses"

Pec 081 459 7301.

Cranfield School of Management with a leading Marketing Consultancy are holding an event directed at subsidised marketing advice for firms. Three free seminers on "marketing and selling services" plus advice from consultar will be available. Contact Marketing laklative, Cranfield School of Management, Tel: 0234 751122, Location: IOD London.

LONDON NOVEMBER 30 A DECEMBER 1 throughing Financial Rigids
The Workshop is an intensive, practical course aimed at those who wish to derstand the principles and practices of

Spancial risk management. Baquiries: Financial Times.

Tal: 071-251 9321. Fax: 071-251 4686. LONDON

DECEMBER 1 Business in The Future Europe Part of The Advent for Europe, a British Presidency event, the conference will examine: the impact on Business, political, regional, East Europe and Northern arc topics. Contributors include: Wilhelm Nolling, Gerhard Stoltenberg, Patrick Sheeby and Neil Klumeck. Details from: Mr Marc Lee.

DECEMBER 1

Developing A Business-Driven I.T. Strategy This one day conference show how the effective management of the process of strategic planning and implementation can lead to the successful use of I.T. to suppost business objectives. Contact: Business Intelligence.

Tel: 081-544 1830.

Pag: 081-544 9020. LONDON

DECEMBER 1 Life Insurance Tax Seminar Ernst & Young will be holding a full day seminar on Life Insurance Office Taxasi with sessions on the new rules, products and personnel, and the European dimension. Venue: Poste Crest Bloomsbury Hotel, London WCL. Fox £38.75. Contact: Andrew Buddeley, Ernst & Young, Tel: 071 931 3231.

LONDON DECEMBER 1 & 2 World Telecommunications This year's conference will focus on the brends changing the shape of the industry: deregulation, privatigation and globalisation. Financing the infrastructure

will sho be inviewed. Tel: 971-251 9321. Fee: 971-251 4686. LONDON

in the Third World and Eastern Europe

DECEMBER 2 & 3 The 2nd international Operations & Settlement Conference A two day conference for Pend Administrators and Investment Managers charged with handling international portfolios; Senior Operations Officers and Communications Managers in custody registration or depository services to essent the stope for practical measures to reduce costs and lessen market and croft risk. The Royal Kensington Hetel. Contact: Adam Lawrence, Equity

Tel: 071 403 5785. LONDON DECEMBER 2-4 Venture Forum Europe '92 Porum sessions will focus on perform

ments by institutions, exit strategies and succession problems in European owner-measured but Enquiries: Financial Times. Tel: 071-251 9321. Fix: 071-251 4666.

measurement, investor relations, direct

DECEMBER 3 How Secure is Your Job? Whether negatiating their own employment contracts or dualing those of their employees, directors should be wary. This institute of Directors sentings is divided into two independent sossions highlighting vital factors in both areas. Enquiries: Director Conferences.

Tel: 071 730 0022 LONDON

1992 Financial Industry **Accounting Conference** "Financial Reporting Issues Facing Banks, Insurers, & Allfinear Institutions." Confront accounting and reporting challenges facing your institution. Topics: PC Accounts Directives, Secret Reserves, Allfinanz Accounting, Scentifisation, Non-Financial Disclosures. Contact: Elaige Fitzsimons, Lafferty Conferences. Tel:

(+353-1) 718022. Pec: (+353-1) 713594.

DECEMBER 3-4

DECEMBER 7 & 6 The 7th International Energy Conference – World Energy Demonst: is Growth beautable? Convened by The Royal Institute of esi Affairs, The British Losti of Energy Economics and The International Association of Energy Economics.
To be held at Chatham House, Loadon ouiries: RIIA Conferences

Tel: 071 957 5700. Fax: 071 957 5710,

DECEMBER 8 The Henley Centre

Leisure and Tourism Futures This conference is the culmination of a major research project examining consumer and industry trends in world tourism and focusing on the implications for UK industry. Cost: £250 + VAT. Contact: Jacqui Goins. Tel: 071 353 9961.

LONDON

DECEMBER 9 Directora' Pay

Directors' Pay has never been more controversial. This lastitute of Directors half day seminar is designed for directors of small to medium sixed compan understand the importance of pay and benefits in retaining their company's most important asset — its management (cand. iries- Directors Con Tel: 071 730 0022

LONDON INTERNATIONAL

DECEMBER 2 3 & 4 Sponsorship Europe The international conference on the challenges and developments in the Spontorship lashestry. Will pay attention to a.o. sports, arts, healthcare, musicmarketing. For more information, please contact Cornelius Baijens. Tel: ++31 3465 73777. Page ++31 3465 73611.

MONTE CARLO, MONACO JANUARY 27 & 26 1993 Suter + Suter Pharma

Symposium '93 "Turning Strategy Into Reality". The symposium includes speeches, workshops and visits to pherma companies in Basel. For a full conference programme, please contact: Sutex + Suter Pharma, Mr. Roll Lithi or Mr. Mascel Hug, P.O. Box 632, CH-4010 Recei. Phone: +41 61 275 75 75. Pex: +41 61 275 74 74.

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LEGAL NOTICES

Notice of Appointment of
Joint Administrative Receivers
KNITTING MACHENE ELEMENTS
LIMITED
Registered member: \$75041. Nature of business:
Knitting machine chements distributors and
menufacturers of spring clips. Trade
classification: 08. Date of mpointment of Joint
administrative receivers: 13 November 1592.
Name of purson appointing the Joint
administrative receivers: Natural Westeninser
Bank ple. LYNN ROBERT BAILEY and
STEPHEN JONATHAN TAYLOR, Joint
Administrative Receivers (Office belder nos
6496 and 7821), Cork Gally, Abacas House, 32
Prier Lane, Loicemer LEI STA

### **ISRAEL**

The FT proposes to publish this survey on December 7 1992. Israel's future will be shaped by two over-riding issues that will face the new government; how to pursue the Middle East peace negotiations and how East to regenerate a lacklustre economy weighed down by immigration from the former Soviet Union.

For advertising information, call Louise Hunter Tel: 071-873 3238 Fax: 071-873 3595 Alternatively contact Roseline Lewin in Israel Tel: 010 972 3 540

6913 or 010 972 3 540 7636

FT SURVEYS

			W	ORLD	STO
AUSTRIA 1992 Price	FRANCE (continued)	GERMANY Investigated)	METHERLANDS (continued)	TWENTH INCIDENT	SI)
2,890 1,550 Austrian Airlines 1,763 570 354 Creditanstate Pf 441	High Law Herender 20 Frs.	High Law Mavember 20 Oct.	High Low November 20 Fis.	High Law Horse	Free 9.60 rdla A 190
16 600 9.850 Jungburgager 26.66	0 1.298 885 Chargeurs 1.250	543 340 GEHE	1 37 1 4 70 Febber Day Day 15,60	215 140 Process 0 220 136 Precess 0 122 68 SCA 8 120 64 SCA 8 134 62 SKF 6	110 110 109 109
1,650 1,020 Perimates Jennet 1,030 700 363 Radex Heraklith 380 1,869 970 Resemblant Bras 1,016	212 15R 10 C C F 204	997 800 Heidelb Zem 806 638 526 Herstel Pri 595 388 225 Herstel 269 1,323 860 Hochtlef		410 315 Saudy	Num A 365
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11.750 7.010 Petrofina 8.250 2.640 2.040 Powerfin 2.385	209 50 155   Matra   194.70   221   120 50 Michelin B   181   190.80   75.50 Michelin B   82.50   1,277 684   Marigation Milate   758	412.40 336 Veba 346.1 230 226.50 VEW 212.2 354 287.50 Verein-West 302 416.50 293 Viag 330.3	LO 130 50 Boshe Stag A Fire 63 182 50 102 Orkia Free 145 102 51 50 Saga Pet A Free 73 20 100 51 Saga Pet 8 Free 73	1,280 980 Pargesa   2,540 1,980 Parges	thie (Br) 365 Hild (Br) 1,080
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2,600 1,790 Union Miniere 2,160	6,250 4,520 Redoute	High Low November 20 Lire 4,925 2,180 Banca Comm 4,615 5,850 3,280 Banca Maz Agric 4,915 2,800 1,420 Banca Maz Agric 4,915 2,800 1,420 Banca Maz Agric 4,915	iligh Low November 20 Pts. 5 5,810 2,600 Alba (Corp Flat 3,400 1,600 556 Aragonesas 795 2,425 820 Asland 1,195	850 650 Sika Re 1,650 1,190 Savella	r (PtgCts) . 515 kg A 800 mon (Br) 1,385
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1992 Price Migh Low November 28 Misa 80 20 53 Amer	GERMANY 1992 Price	3,520 2,381 halgas	51,000 27,000 San Miguel 27,000 904 280 Sarrio 292 0 621 375 Sevillana Elec 398 6,900 2,760 Tabacalera A 3,800	00.30 42 Darion	Rand 42
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FRANCE 5.50	619 443 BMW (6r)	11,650 6,600 Sirti Spa 8,545 883 399 5Mi 575 1,290 656 Snia BPD 1,012 2,410 1,035 STET 1,615	325 247 AGA B Free 285 398 280 Ates A 352 398 277 Asca B 351	39.50 20.25 resisted 13 9.10 Gentor 68 48 56 lef fel 14.70 8.75 Highres 14.70 8.75 Highres 2.07 0.68 ISCOR. 46 21.25 Kinores 36.25 21.25 Kinores 38.26.75 Malkoh 19 13.73 Nedcor 10 4.60 0 K Baz 82.25 60 Paulson 45.50 33 Premier	Gold 24.25 bid 23 lfe SA 52.25
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JAPAN 1992 Price	1992 Price	1992 Price	1972 Price	AUSTRALIA (continu	
High Law Nevember 20 Year	High Low November 20 Yes	High Low Havember 20 Yes 909 510 Nikon Corp 559 12,300 8,600 Nintendo 10,000	High Low November 20 Yes 858 465 Takara Shuzo 636	8.23 6.72 Nat April	Rank 7.03
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5,890 3,090 Auskin Gi Co Lii	1.480 759 Kajima 830 1.580 787 Kajima 1,460 2.607 1.630 Kandenko 2,070 567 345 Kanebo 431 680 450 Kaneka 545	820 495 Major Light Metal 530 1,930 1,500 Major Mest Pack 1,560 555 335 Migror Mining 456	3,400 2,180 Rinks Det Paue 2,390   1,630 740   Tokal Bank 1,050	14 4.80 Rothman 3.32 2.72 SA Brew	Gold 2.95 15 Aust . 4.95 1001 2.80
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	19800 Cambridge \$10 <sup>1</sup> 2 d10 <sup>1</sup> 6 10 <sup>1</sup> 5 m <sup>1</sup> 6 1700 Cameco \$16 <sup>1</sup> 6 16 <sup>1</sup> 6	49400 Hami Sali x SB <sup>2</sup> g dB 0 ~ 1g 37200 Hallinger x \$10 \ 10 \ 10 \ 10 \ 10 \ 10 \ 10 \ 10	104000 Pagerise A.s. 280 d225 1200 Panodn Pet 8281, 2812 28800 Pagestas \$167, 1614 20300 Pioneer Mt. 8 6	265 -15 261 +1 161 +1		MONTHE	
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	178880 CanTire A 516½ 16½ 16½ 16½ — 4 33800 Can Udi A \$21 25½ 35½ — 1 9700 Cas Udi B \$20¼ 25½ — 1 1580 CanGeniny \$27¼ 27 27	146800 humano	3400 Gutter A : \$16 <sup>1</sup> g 15 <sup>1</sup> g 257300 Renger Oli \$7 <sup>7</sup> g 7 <sup>3</sup> g 30300 Rayrook \$8 <sup>5</sup> g 9 <sup>1</sup> g	75 +4 85 -4	37500 Cantage 900 Cantage 86700 Cancac 200 DeninT	Br \$26 <sup>1</sup> 2 2 oni r \$13 506 <b>36</b> <sup>3</sup> 0	64 264 +4 413 13 64 64 -4
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l	16800 Cascodes 361g 61g 61g 17800 Calcades 5611g 411g 411g1g 590 Calcades 5611g 411g 411g1g 390 Calcades 3 3 3 17300 Calcades 230 217 217 -6	8500 Lebent \$27 \ \ 27 27 811200 Lec Miles \$7 \ \ 27 1, 7 \ \ 700 Lessays x \$18 17 \ \ 28 38 38 38 38 38 38 38 38 38 38 38 38 38	16900 Rio Algom \$16 <sup>5</sup> c 16 <sup>1</sup> c 276800 RogersCen® \$13 <sup>3</sup> c 13 <sup>5</sup> c 100 Rothmans 385 85 296000 RoyelEkCan \$28 <sup>3</sup> c 23 <sup>3</sup> c	18% +¼ 13% +¼ 57 23% +¼	11000 Telegió 1700 Univa	900 \$13 <sup>1</sup> 6 1 \$7 <sup>5</sup> 6	18 <sup>1</sup> 6 18 <sup>1</sup> 6 7 <sup>5</sup> 6 7 <sup>5</sup> 6 —16
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		for 1992 Since complision	AUSTRALIA 20	Nov No		HOH	LOW
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	BJ Indi. Step's High S Day's High STANDARD AND POOR'S	CS/11 08/40 (2/1/90) 08/4/3/20 249.78 (3/23) 1/8 Luw 3197.64 (3190.35) (Theoreticals) ph 3/231.14 (3/216.59) Low 3/209.53 (3/200.68) (Accumula)	DENMARK Oppologie SE Of LIES 265 62 FREARD	269.21 277	% 272.26	345.29 (15/1)	20 42 CB/10
	Composite : 426.65 423.61 422.85 41	180 50130 0000 50130 016530	REX General (28/12/90) 794.3 FRANCE CAC General (31/12/80) 459.78 CAC 40 (31/12/87) 1724.18		60 472.79	935 90 G4(2) 555.93 (12/5) 2077.49 (11/5)	\$41,00 (7/4) 441,70 (7/10) 1611.04 (5/10)
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l	S & P Industrial Gt. yield 2.65	lov 11 Nov 4 year ago (approx.) 2.65 2.68 2.67 27.72 27.31 22.04	JAPAN Nikel (16/5/49) 17033.60 Tokyo SE (Toyte) (4/1/60) 1276.91 2nd Section (4/1/60) 1607.18	16871.31 16771 1274.53 1271 1696.78 1599	21 1221 33	21601 18 (6/1) 1763.43 (6/1) 2459.85 (6/1)	14309 41 (18/8) 11,02 50 (18/8) 1502,77 (19/8)
ļ	NEW YORK ACTIVE OTTOWN	TO LOUIS ACCOMUTA	MALAYSIA KLSE Composite (4/4/8) 642.60 NETHERILANDO CES RI SILGES (EM 1988 387.5	637.39 643	77 641.90 7.8 289.6	560.35 C/110 514.40 (5%)	566.65 (1.4/1) 274.00 (8/1)
	NEW YORK ACTIVE STOCKS Stocks Closing Change bridge price an day	TRADING ACTIVITY  † Volume New 20 Nov 19 Nov 18	CBS All Str (Em) 1903 193.4 HORWAY ES S (Ind) Q(I)(ID) 628.90		37 194.9	215 50 (26/5) 772,74 (18/5)	189 70 (25/8) 532.43 (25/8)
l	West Elec 9,182,900 9½ - ½ Tanhunn 4,673,900 11½ 1814 3,709,200 62½ + 1	New York SE 256.340 218.700 218.660 Amer 15.558 16.136 15.005 NASDAQ 6d 258 251, 233.239	PHILIPPINES Kanta Cong (2/1/89 1303 63 SERGAPORE	1310 59 1315		580.95   111/69	1003.01 (17/3)
ľ	Limited 3.421.700 26-5 + 5 Au T & T 3,000,900 475 + 5 Philip Ments 2,754.100 79-6 - 114 Gas Mooter 2,753.000 31 + 5	AVSE Junes Traded 2,366 2,364 2,379 Ribes 1,088 954 1,177	SES All-Singapore Q/A(7% 370 93 SOUTH AFRICA JSE Gold (28/4/78) 744.09 JSE Industrial (28/4/78) 4078.09	371.63 371 765.0 77 4965.0 407	1 9.00° I	116.99 (21/1) 1817 00 (21/1) 1889.00 (4/6)	361 41 (21/10) 346 00 (10/11) 3436 00 (19/10)
			SOUTH KOREA"				
	Gest Elec 2,730,900 80 4 1% Monit: Austin 2,647,800 18%	Falls 700 800 629 Unexample 576 610 573 Her Highs LLY 81 59 Rev Lows 17 32 43	Rames Comp Ex. (4/1,/80) 635.55 SPAIN	632.49 621		M1.46 (4/2)	499 67 (21/8)
	Ges Elec 2,730,900 80 + 1% Monk Austin 2,547,800 18%	Unchanged 576 610 573	Rames Comp Ex. 447,400 435.55  SPAIN Maint SC 08/12/859 212.75  SWEDIEN Attarwandes Geo. (1/2/57) 821.1	215.48 212 754.8 72	.04 286.77 2	86-51 (28/2) 614-50 (11/5)	L79 46 15/100 639 00 (5/10)
	Gar Exc 2,730,900 80 • 1% 1% Mork Austin 2,547,800 188	Unclassified 578 &10 573 New Highs L19 81 59 Rbe Lows 17 32 43	Rama Cong Ex. (4/1,400 435.55 EP-AIN 4255 212.75 SWEDEN AMARKAN 450 421.1 SWITZERLAND 5015 841.6 SWITZERLAND 5015 841.6 SOIS Gent Int. (3/1/12/50) 501.6	215.48 212	94 286.77 2 19 723 b 2 12 840.8 8	86-51 (28/2)	L79 48 (5/10)
	Gat Elec 2,730,990 80 4 1% Morek Austin 2,647,800 18%	Unchanged 578 &10 573 New Highs L19 81 59 Rev Low: 17 32 43  Nov 1992 17 HGGH LOW 19 2529.91 3239.87 (Lb/I) 2529.91 (17/11)	Rama Conp Ex. (4/1,460 d.35.35)  EPARN Matrid SE (14/12/85) 212.75  SWEDIN Attraction Sen. (1/2/37) 821.1  SWITZERH AND Sorts Sast Ind. (3/1/2/39) 841.6  SSC General (1/4/85) 3734.33  TRANSAN** Weighted Price (19/6/64) 3734.33  TRANSAND Banglock SET (19/4/73) 8/1.72	215.48 Z12 754.8 72 862.8 89	94 286.77 2 1.9 723 b 2 1.2 841.8 8 1.1 631.9 6	866 51, 128/23 614 50 (11/5) 881 40 (11/5)	1.79 46 15/100 639 00 (5/100 746 50 (8) (1
	Gar Exc 2,730,990 80 4 1% Movit Annah 2,547,500 18½	Unclassified   578    610    573	Rama Conp Ex. (4/1,460 435.35  EPARN Habrid St. (34/12/85) 212.75  SWEDIN Affarsharida Een. (1/2/57) 821.1  SWETZERLAND Sotts State Int. (51/12/59) 811.6  SSC General (1/4/87) 430.7  TANWAN** Weigned Price (18/6/66) 3734.33	215.48 212 754.8 72 842.8 85 631.6 40 3442.38 3448. 634.17 648. 494.6 40 840.38 842	84 286.77 2 1.9 723 b 2 1.2 840.5 8 1.1 631.9 8 1.0 3863.71 2 1.0 476.8 2 20 341.94 9	86-51 (28/28 014-50 (11/59 881-40 (11/59 682-30 (11/59 991-43 (20/8) 991-43 (20/8) 991-43 (20/8) 991-43 (20/8) 991-43 (20/8)	179 46 15/100 639 00 G/100 746 50 GHU 396 40 GM/9 1354 63 GM/9

TOKYO - Most Active Stocks Friday, November 20, 1992							
Missel Mil & Smi . Neppon Jutaki Kaken Pharm SS Pharm Koe Denko	Stocke Traded 7.4m 6.2m 5.3m 6.2m 4.5m	Closing Prices 481 290 1,450 1,230 902	Change on day +20 +20 +20 +20 +20 +20	Gejeon Seika Mitsubishi Kalok Tushbe Corp Green Cross Mitsubishi Heavy	Stocks Traded 3.0m 3.5m 3.2m 3.0m 2.9m	Closing Prices 127 1,080 608 1,380 528	Change on day -50 -3 +30 +13

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Resery & Law Hyo Corporation 4. Career (1200). The filter of 1200 of 1		Company   Comp	## 11.15 to 11.2 to 77 64 913 18728   1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
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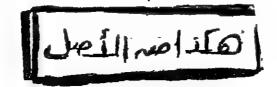
#### FT MANAGED FUNDS SERVICE

• Unit Trust prices are available from FT Cityline, cell 069; 43 + the live-digit code listed after the sult trusts. Calle charged at 35p/minute cheap rate and 48p/minute at all other times.

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#### CURRENCIES, MONEY AND CAPITAL MARKETS

#### FOREIGN EXCHANGE AND MONEY MARKETS

# Focus on Germany

IN THE WAKE of last week's turmoil in the European exchange rate mechanism, dealers will pay even more attention to the prospects for a reduction in official German interest rates this week, writes

James Blitz. The markets have recently tempered their optimism about an easing in German monetary policy, and money markets continue to doubt whether there will be another cut in the discount rate this year.

## UK clearing bank base landing rate 7 per cont from Nuveraber 13, 1992

However, the after-effects of Sweden's float of the krons pushed weaker ERM currencies nearer their floors last week, and the earlier optimism about a rate cut is

again taking hold.
An important indication of whether the Bundesbank can afford to ease policy will come in the M3 money supply figures for October due out this week. Mr Neil MacKinnon, chief economist at Citibank in London, believes the figure

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STERLING INDICK

CURRENCY MOVEMENTS

8.30 9.00 10.00 11.00

CHICAGO

Previous Close

1.5380 1.5390 0.52 0.5000 1.25 1.2200 3.62 3.5200

will rise to 9.5 per cent from a previous 9.3 per cent. This falls
well outside the current
annual target range of 3.5-5.5
per cent.

Mr Mackinnon points out that the Bundesbank is due to revise its target for M3 growth next month. The 5 independent economic advisers to the German government -"five wise men" - said last week that the M3 target should he revised up from 6 per cent

to 8 per cent.
In the US, the main focus will be on this week's preliminary figure for 3rd Quarter GDP, due on Wednesday, and the figures for Durable Goods orders and Consumer confidence in September and October due out tomorrow. Both will give further indications of the

strength of the upturn in the US economy. However, analysts believe that the economic

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arada	1,2705 - 1,2790	1.2770 - 1.2780	0.51-0.57cds	-5.07	1.18-1.324s	-30
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			EA	HILL	761	-	USS	PLA	163			
Hav.20	2	\$	DM	Yes	F Ru	S Fr.	M FL	Ura	CS	B Fr.	Pta.	Ece
S ON YEAR PP. SPL. Live CS BFL. Pta Eco	1 0.656 0.413 5.299 0.459 0.367 0.367 0.514 2.006 0.576 0.810	1.520 1 0.628 2.056 2.658 0.558 0.727 0.782 3.049 0.876 1.231	2.422 1.593 12.84 2.953 1.113 0.889 1.158 1.296 1.961	188.7 124.1 77.91 1000 216.1 90.24 97.07 378.5 108.8 152.8	8202 13% 13% 13% 1306 1300 1300 1420 1420 1440	2.177 1.432 0.899 11.54 2.654 1.0799 1.041 1.120 4.367 1.255 1.763	2.755 1.793 1.125 1.444 1.322 1.252 1.402 1.402 5.466 1.571 2.206	2091 1176 863.3 11081 2549 960.5 767.3 1000 1076 4195 1205 1693	1.944 1.279 0.803 10.30 2.370 0.993 6.713 0.930 1.120 1.574	49.85 22.59 26.78 22.99 13.84 25.64 100.73 40.36	173.5 114.1 71.44 919.4 211.5 79.70 63.67 82.97 89.25 348.0 140.5	1.256 0.813 0.510 4.546 1.566 0.567 0.453 0.591 0.635 0.712
Yes per 1												

a	URO-CI	RRENG	CY INT	REST	FLATES	
Nov 28	Short. com	7 Days	line Month	Three Months	Str.	One Year
ortine Dodar	71 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 -	5-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	7.30 6 6 5 6 5 6 5 6 5 6 5 6 5 6 5 6 5 6 5	7-32-64-5-1-45-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5-5	SALESTER SERVICE	64 - 7.75
ng term Eurodelfa 1-6-5 per cent. noo	rs: two years 5- nical Short te	Fig per cent; the on rates are cal	nte years 5%-54 If for US Dollar	o per cent; four is and Japanese	years 6%-6 per Yest others, to	cest; five years no days' notice.

(11.00 a.m. Nov.20)	3 months US dollars	ó m	eths US Dellars
M 39	ofter 3th	bl6 3H	offer 3½
he tizing rates are the arithm	etic means rounded to the nes	rest one-sixteenth, of	the bid and offered rates for \$10
uoted to the market by the c lack, Bauk of Tolgo, Dents:	eference bagies at 11.00 a.m. he Bank, Ranque Hatiumi d	each working day Ti ic Paris and Morgan	the bill and offered rates for \$10 e banks are National Westeries Gazrunty Trust.

FT LONDON INTERBANK FIXING

NEW YORK			Treasury	Bills and	Bonds	
igni riese rate Proter loan rate	. 6	te mouth		3.10 Five; 3.26 Serro 3.52 10-w		6.47
Non.20	Overnight	One Month	Two Months	Three Months	Str Months	Lombard Intervention
ranidari	8.70-8.80 94-95 54-54 8.65-8.80 38-33 134-134 84-88 134-134	94-10 94-10 14-14 81-81 14-14	8.85-9.00 145-144	8.80-8.95 94.44 67-60 870-8.80 343-38 141-141 812-83 141-344	8.65.8.60	9.50 9.10 - - -

Nev 20	Oversight	7 days	One Month	Three Months	Siz Months	Une Year
merisank Offer  merisank Bid  Sterling CD  social Authority Deps  occal Authority Deps  bisconet Mirt Deps  bisconet Mirt Deps  finance Hence Deposite  finance Hence Deposite  freating Bid  finance Hence Deposite  freating Bid  social CD  social CD  trace Bids (Bug)  DR Linked Dep  DR Linked Dep  DR Linked Dep  Offer  CO Linked Dep  Offer  CO Linked Dep  Bid  DR Dep  Bid  DR Dep  CO Linked Dep  Bid  DR Dep  CO Linked Dep  Bid  DR Dep  Bid  DR Dep  Bid  DR Dep  Bid  DR Dep  CO Linked Dep  Bid  DR Dep  Bid  Bid  Bid  Bid  Bid  Bid  Bid  Bi	7 54 7 68 	756171661711111111111111111111111111111	77714 - 7444 - 091551101	7-7-7-7-1-7-1-8-8-8-9-5-110	1000   10	5555 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Treasury Bitis facili; one- Bank Bitis (self): one-me gender rate of discount 6. 30 _1992 - Agreed rates 6. 30 _1992 - Agreed 6. 30 _1992	onth 614 pe 4477 . ECG for period h 63 p.c. Rafe r. Local Aer cest Base Rat r cent. Certil a per cest; a cest: sime-ti-	r cent; three D Fixed Residences Part of the Part of t	e months 6 te Sterling 6 3, 1992 to 6 te period 0c Finance Ho November 1 to Deposit 0c onths 7 per to 6 per cent	s per cent; xport Finan ecember 25 tober 1, 199 xxx seven 6; , 1992; Bani ieries 6); De cent; three-s	Treasury Bi ce, Make up 1992, Sci 2 to Octobe tys' notice, k Deposit Ra posit £100,0 tu months 6	llis; Average day Octobe terpe i: 9.77 r 30 , 1992, Others seven ites for sures 100 and over

#### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MATIONAL AND REGIONAL MARKETS			J-RaiD/	AY NOVE	MBER 2	1992			16	MESDYA	HOVEM	18.1		POI	LAS DEL	
Figures in parentheses show number of lines of stock	US Cotter Index	% chg (8) siace 31/12/91	Pound Sterling Index	Yen ladex	DM Index	Local Currency Index	Local % obg from 31/12/91	Groes Div. Ylaid	US Dollar Index	Pound Sterling index	You Indust	DAI index	Local Currency Index	1992: 19gh	1982 Low	Year ago (approx
Australia (58)	112 29	-25.6	109,49	88.12	93.03	109.08	-17.4	4,47	110.70	107.09	86.38	90.87	107.57	153.68	108.18	
Austria (19)	141.69	14.9	138.16	111.20	117.39	117.10	- 10.8	2.41	142.97	138.32	111.57	117.37	117.24	186.70	138.51	176.
Belgium (42)	136.70	- 5.3	133.29	107.27	113.25	110.57	-0.6	5.57	137.05	132.59	106.94	112.51	109.68	152.27	134.41	137.
Canada (113)	112.98	-17.1	110.16	88.86	93.59	104.51	-8.4	3.32	111.98 196.28	108.33 189.89	87.38 153.17	91.92	103.26 162.91	142.12 273.94	111.36	
Denmark (34)	190.82	-28.6	188,05	149.75	158.08	160.84	-25.1	1.70	66.08	63.93	51.57	161.13 54.25	70.52	89.80	184,18 52,84	262 79
Finland (15)	86.32	- 15.0	84,67	52.05	54.94	70.92 119.55	+4.7 -2.3	1.99 3.77	142.74	138.09	111.38	117.16	119.51	168.75	141.26	141
France (99)	141.26	-6.1	137.74	110.85	117.02	87.75	-5.2	2.62	107.44	103.94	83.85	88.20	88.20	129.89	102.51	115
Sermany (64)	105.92 237.58	-9.7	103.26	83.13	87.75 196.83	285.97	+34.0	3.81	236.78	229.05	184.75	194.37	235,18	262.28	176.38	175
long Kong (53)		+34.7	231,86	186.44		107.93	-20.2	5.08	123.43	119.41	96.32	101.33	104.02	173.71	122.98	182
reland (16)	126 50	-24.6	123.34	99.27	104.80	80.79	-6.0	3.42	60.53	58.58	47.24	49.59	61.33	80.86	47.47	71.
taly (77)	59.15	-21.5	57.70	46.44	49.02 85.50	80.78	-24.5	1.04	103.58	100.20	80.83	85.04	80.83	140.95	87.27	134
	103.19	-24.0	100.61	80.98	229.45	269,19	+ 19.9	2.43	273.08	264.16	213.07	224.15	265.48	282.42	212.49	207
	278.97	+ 29.3	270.07 1483.83	217.35		5179.50	+ 12.0	1.16	1518.92		1185.29	1248.91	5167,30	1789.77	1185.84	1330
Mexico (18) 1	149.75	+9.4 -1.9	146.01	1194.25 117.52	124.08	122.51	+29	4.64	150.80	145.89	117.57	123.80	122.17	169,70	147.88	148
letherland (25)	39.53	- 15.9			32.75	40.74	- 11.8	5.58	39.73	38,44	31.01	32.62	40.77	48.52	37.39	48
fow Zealand (13)	139.49	- 22.0	38.54 138.01	31.02 109.47	115.58	122,16	15.6	1.98	130.98	126.72	102.21	107.53	114.54	192.95	128.05	181
lorway (22)	193.42	- 12.0	188.50	151.79	160.23	145.78	-11.1	2.26	193.26	186.97	150.81	158.85	145.52	229.83	179.65	208
engapore (38)	135.31	- 45.5	131.94	106.19	112.10	148.23	- 15.5	3.51	138.02	131.59	106.14	111.86	145.91	263.60	135.31	270
outh Airea (60)	115.75	~ 26.0	112.86	90.84	95.89	100.01	- 12.7	6.01	118.80	115.02	92.78	97.60	101.82	151.72	107.10	148
pain (48)	160.85	-112	156.84	125.23	133.26	159.66	+7.4	2.46	150.42	145.52	117.36	123.48	145.46	200,26	149.69	170
				82.17		92.95	+ 10.2	2.30	104.79	101,37	81.78	66.03	93.06	122.37	95.99	96
witzerland (60)	104.70 165.08	+4.3	102.09	129.54	86.75 136.75	160.96	+9.6	4.56	164.90	159.53	128.67	135.36	159.53	200.07	181.88	176
Jaited Kingdom (228)		+2.7	170.12	136.92	144.55	174.47	+2.7	2.91	173.21	167.57	135.17	142.20	173.21	174.47	160.92	153
ISA (522)	174,47															
	132.68	- 10.2	129.36	104.13	109,93	119,91	+21	3.92	133.20	128.87	103.95	109.35	119,31	156.88	131.85	147
lordic (102)	146.76	-20.1	143.10	115.17	121,59	131.97	-8.3	2.19	141.49	136.88	110.41	116.15	124.62	188.52	141.24	178
Pacific Basın (713)	107.88	-21.3	105,19	84.66	89.38	86.43	-21.3	1.40	108.12	104.60	84.37	88.76	86.20	141.97	93,70	136
earo - Pacific (1493)	117.92	- 16.8	114,96	92.53	97.68	99.87	-12.1	2,55	118.27	114.42	92.28	97.08	99.50	145.21	113.80	138
	170.66	+ 1,7	186,40	133.94	141.41	169.72	+22	2.93	169.41	183.90	132.22	139, 10	188,45	170.86	158,70	152
urope Ex UK (552)	113 10	-9.6	110.28	88.78	93.72	97.60	-3.0	3.47	113.95	110.24	88.94	83.57	97.38	132.98	112.24	120
	153.98	+ 2.6	150.14	120.86	127.58	141.97	+5.5	3.74	152.74	147.77	119.21	125.40	140.83	175.31	149.00	151
	116.79	- 17.2	115.83	93.23	98,41	101.78	-11.8	2.57	119.10	115.22	92,94	97.77	101.38	146.91	115.99	140
	133.93	-9.5	130.50	105.11	110.97	120.47	-7.8	2.51	133.71	129.35	104.34	109.77	119.88	150.5B	127.21	140
	136.77	-9.2	133.36	107.34	113.32	123.80	-8.2	2.71	136.54	132.09	108.56	112.10	123.14	153.05	130.04	142
	155.58	-33	161.70	122.11	128.91	149.15	+2.0	3.29	155.04	149.99	121.00	127.30	148.18	165,40	151.93	150
COMO EX. Japan (1734)	100,00															
	136.64	-9.7	133.28	107.23	113.21	124.06	-62	2.72	136.42	131.98	106.48	112.00	123.39	153.70	130.66	143
Base values: Dec 31, 1986 US \$ Index), 114.45 (Pour Copyright, The Financial 1 Constituent change with all Delebon. Union Energy (C	nd Steri Times L Nect 23/	ling) end immed, 11/92: D	i 123.22 Goldma	(Local). n. Sachs	a Co. s	ind Cour	tv Nativ	est Sec	urities !	imited.	1987				1988 -	130.

model	-	- FORWAR	D ACAIN	~	-	-
POU		- FOMBAI	IN AUAIN	91	THE POU	WD_
New 20-	Spread Spread	Class	One anonth	PA.	Three mounts	% p.a.
is interior in the control in the co	9,8025 - 9,9600 8,1750 - 8,2250	1.500 - 1.520 1.905 - 1.945 2.720 - 2.730 9,80 - 99.9 2.425 - 2.425 2.420 - 2.425 2.425 - 2.425 2.425 - 2.425 2.425 - 2.425 2.425 - 2.425 2.425 - 2.425	0.52-0.50cm 0.11-0.22-05 0.11-0.22-05 24-03-06 24-03-06 1-5-11-50e 1-5-11-50e 11-51-11-51 24-5-10-66 24-5-10-66 24-5-10-66 24-5-10-66 15-2-10-6	4日十十十二十二十二十二十二十二十二十二十二十二十二十二十二十二十二十二十二十二	1.25-1.22sm 0.21-0.47da 11-1-1-0.68 1-2-0.65 64-0.08 2-95-2.25sm 1-1-1-0.08 300-325da 300-325da 300-325da 14-1-15-4.08 14-1-15-4.08 14-1-15-4.08 14-1-15-4.08 14-1-15-4.08	326 -1.79 -1.31 -1.31 -1.35 -1
ameriki r	atas takas tomerds li	e red of Landon trial	ing, Stor-month fore	rari della	≥ 2.18-2.13pm . 1	2 Month

Nov 20	Day's	Gae	Gee month	D.	Three months	p.a.
9K1	1.5185 - 1.5390	1.5200 - 1.5216	0.52-0.50cpm	402	1.25-1.22mm	3.
relandt	1.6505 - 1.6725	1.6510 - 1.6520	2.45-2.00cpm	16.17	5.20-1.60pm	u
Canada	1.2705 - 1.2790	1.2770 - 1.2780	0.51-0.57cds	-5.07	1.18-L324/s	-3
Ketherlands .	1.7620 - 1.7935	1,7920 - 1,7930	0 81-0.84chs	-5.52	2 15-2 200h	11
icigium	225 285	<b>275.28</b>	13.50-16.50cm	-3.97	36.00-41.0054	-4
Desirant	6.0950 - 6.2100	6,1950 - 6,2000	3,45-4 40ored8	-7 60	9.50-21 0065	-6
- TEAT	1.5665 - 1.5950	1,5730 - 1,5940	0.84-0 85pfdls	-6.36	1 97-1 99dis	-4
ortogal	139.85 - 144.50	144.25 - 144.35		24.95	500-700ds	-16
Spa41	11225 - 114,15	114.00 - 1141.10		11.67	300-330dis	-11
taly					35.00-39.00dis	-10
Hornisty	6.3750 - 6.5100	6.4500 - 6.4550	3.75-4.50credis	-7.67	10.00-11.50dis	-6
19006	5.3100 - 5.3975	53925 - 53935	3.35-3.75ctk	-7.90	7.80-8.30dis	-5
meden	6.4525 - 6.7100	6.7025 - 6.7075	4.50-5.80aretts		14,00-16,0045	-0
						-4
					2.02 1.04	-2
Austria Austria Sufficerizad	123.25 - 124.25 11.0475 - 11.2000 1.0015 - 1.4340	124.10 - 124.20 11.1900 - 11.1950 1.4315 - 1.4325 1.2310 - 1.2320	0.05-0.07yds 5.52-5.92grods 0.34-0.38ohs 0.78-0.73cpm	-0.58 -6.13 -3.02 7.36	0.06-0.03pm 12-90-14-00ds 0.94-1-00ds 2.03-1-96pm	

EXCHANGE CROSS RATES												
Hev.20	2	3	DM	Yes	F Ft.	S Fr.	N FL	Ura	CS	B Fr.	Pta.	Ece
	1 0.658 0.413 5.299 1.219 0.499 0.367 0.470 0.514 2.006 0.576 0.810	1.520 1 0.628 2.056 1.853 0.698 0.727 0.782 3.049 0.876 1.231	2.422 1.593 1.284 2.953 1.113 0.889 1.158 1.246 4.859 1.961	188.7 124.1 177.91 1000 230.1 14.14 90.24 97.07 378.5 108.8 -152.8	8202 13% 13% 14.0 100 1300 120 120 120 120 120 14.0 14.0 14.0	2.177 1.432 0.899 11.54 2.654 1 0.799 1.001 1.120 4.367 1.255 1.763	2.75 1.793 1.125 1.444 3.322 1.252 1.462 5.466 1.571 2.206	2091 1376 863.3 11,081 2549 960.5 767.3 1000 1076 4195 1205 1693	1.944 1.279 0.803 10.30 2.370 0.393 6.713 0.930 1.120 1.574	49.85 32.80 20.58 264.2 60.78 22.90 18.29 23.84 25.64 100. 28.73 40.36	173.5 114.1 71.44 919.4 211.5 79.70 63.67 82.97 89.25 348.0 140.5	1.235 0.813 0.510 4.545 1.506 0.567 0.453 0.591 0.635 2.477 0.712
ca per 1	000: F	renda Fr	per 10:	Lira per	1,000:	ا مياوادا	r. per 10	X): Pesel	a per 16	Α,		

Nov 20	Short. com	7 Days rotice	Une Month	Three Months	Siz	Ove Year
eritog  5 Dorlar  10 Dollar  11 Dollar  11 Lotter  11 State  11 State  12 State  13 State  14 State  15 State  16 State  16 State  16 State  16 State  17 State  16 State  17 State  18 St	71 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 - 7 -	4.7.7.85.38.58.58.58.51.51.8 7.7.7.85.38.55.58.51.51.51.51.51.51.51.51.51.51.51.51.51.	75-75-75-75-75-75-75-75-75-75-75-75-75-7		Files exercises as a second	68 - 6/4 - 6/7 - 6/7 - 6/7 - 7/1 - 6/7 - 7/1 - 7

200 3组	of	年 3월	N N	6 3 <u>H</u>		offer	3性
The fixing rates are the arith	metic oraș	s consist in th	e nearest one-t	izteent	of the h	el ani offerel r	ates for SIO
The fizing rates are the arith quoted to the nuarket by five Bank, Bank of Tolgo, Dent	reference l	ands at 11.00	a.m. each wor	ting day	The bar	As are Nation	i Westeriest
cars, cass of longs, best	COR BOOK,	Children and	at 13/8 a	- 4ay	التنقيب الل	and suppr	
		MONE	V DAT	ree			
		MURE	I DA	163			
NEW YORK			Tressur	y Bills	and B	londs	
<b>4</b> pm		Obermoodii	disposa ni m	2.92 3.10	Floor		5.17
Prime rate		Three month		3.10 3.26	Serro y	6kr	6.47
Broker loan rate	28	Sig propositi		揺	10-yea		
Fed frack at Intersection		Two stair		4.62	20 700		

NEW YORK		Treasury Bills and Bonds					
4pm Priote rate Broker loan rate , Fed hooks at begreening.	- 6 ]	te mouth		3.10 Five 7 3.26 Serro	ythr	6.06	
Non.20	Overnight	Ene Month	Two Months	Three Months	Str	Lombard Intervestion	
Frankfart	8.70-8.80 94-94 54-54 8.65-8.80 3B-33 134-133 84-8B 134-133	8.55-4.55 94-10 6.76-30 34-33 102-161 141-144	8.85-9.00 143 <sub>2</sub> -141 <sub>4</sub>	8.80-8.95 94.94 61.64 8.70-8.80 343-38 141-141 112-83 141-144	13-134	9.50 9.16	

LONDON MONEY RATES

pht	7 days	One Month	Three Allowths	Siz Months	Ume Year	7				
	716 65 7 65 17	7-7-7-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	74.7.777.664.48.3555110	44500 1 1 4500 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	****** 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1					
ECG Pd R Rat Rat Brill CG R	or cent; three D Fixed Ray fovember 25 prence rate fi thority and a 9½ from I ficates of Ta	e months 6: 2 Sterling E 3, 1992 to D 6: period Oc Finance Hor Hovember 1 1x Deposit (S 0 onths 7 per 6 6 per cent;	KES SEVEN 60	Treasury Bi ce. Make up 1992, Sci 2 to Octobe tys' notice, a Deposit Ra acsit £100,0	lls; Average day October terpe I: 9.77 r 30 , 1992, others seven ites for sums 100 and over	The State of the S				

#### MONEY MARKET FUNDS

27

		_
Net. Times Gross S	Money Market Trust Funds	-
Div (conditional)		
	48 Perabury Road, Tonbridge TN9 7.10 0732 7701 CHC481 Deposit Fund., 6 73 - 6 90 - 90 - 900 CHC481 Deposit Sur (1 million 8.83 - 7 00 - 7 00 - 900 CHC481 Deposit Sur (2 million 8.83 - 7 00 - 7 00 CHC481 Deposit Sur (2 million 8.83 - 7 00 CH	134
	Cafeasa Deposit Fund., 6 73 - 6 90	
	- Deports Our El million (4.83 - 7.00) -	,
F338 24 17 2	2   Delang dat, 15 under 1 PA3 -   1 1 2 1 1 -	,
F3.36   -   4.4	The COIF Charities Deposit Account	
	2 Fore Street, London EC2Y SAQ 071-588 16	110
F11.5 -  16.8	2 Fore Street, Landon EC2Y SAQ 071-598 14	حد
126   28   23   3	6 Cent. Bd. of Fin. of Church of Englands	
	2 Fore Street, Landor EC2Y SAQ 071-568 19 2 Deposit	15
R5.4 1.9 4.9 14 b0.75 5.3 22 1	2 Deposit17.30 -1 7.50[400	53
W48 26 37 1	Gartmore Maney Management Ltd	
#40   ZB   31   It	16-18 Monament St. Leader ECJR 800 071-296 14	75
	7ESSA Desk 872 236 93	Ť.

100p 100p 180	F P. F.P. F.P. P.P.	-	1124p 1024p 1104 13pp	104 L 6ppm	Bristol Water State Pf Considered Union State Cos. Pf Live State Cos.	1116 1014 1104 11169	4440
front Price g	Amyount, Paid up	Esteri Remot Dala	25 168gls	92 Low	Start	Clading Price 9	+ er
grafichicary Ex-dividend beats on pro- latest games	ligiares, a F Divides espectus on Li camphage	Forecast of and yield other off is Divide	or estimati d teased ea leta) estima ead and sich	lipp 2½pm prospectus of annualis prospectus rus for 19 4 house of	44/aempoell Prime People Property Treal. Rescape ed dividend rate, cover based on precious of dividend rate, cover based on precious of dividend rate, cover based on precious of the other official exhibities for 1992-79. If 93. It Estimated annualised dividend, com- prospectus or other official exhibities for old on prospectus or other official exhibities.	Dividend at 1992 0 G	ings. x of yield steel on ross. Il

LONDON RECENT ISSUES

Por & Col. PEP in Tig.

FIXED INTEREST STOCKS

Closing Price

BANK OF	ENGL	AND TI	<b>LEASURY BIL</b>	LTEND	E7.
	lion.	20 Nov.13		Nov.20	flov.13
Mis on offer hist of application hist allocated finitum accepted bid illocated at Children had	£100	im £487m im £100m 90 £96,350	Top accepted sale of discount Alterage comed discount Sucrage yield Autous on eifer at next Leads Minimum accepted bid 182 d	6.4477% 6.5630 F \$100a	
WEEKLY C	HANG	E IN W	ORLD INTER	ST RA	TES
ONDON	Mey.20	change	NEW YORK	Nov.20	diants
Save rates day interbusk	7 68 7 64 64 64 64	Unch'd -/- Decird -0.0014 Unch'd Unch'd	Prime rates Prime	21 373 349 346 9.50 8.90	Bach'd Dech'd +0.09 +0.08 +0.11
3 Arth. Treasury Bill 1 Arth. Bank Birls 3 Mills. Bank Birls	65 65	†∳ Qnadd	Three worth	9.10	Wedrd Hedrd +0.05
Coe month	3		One eath. Sotertmak Three mouth Mil. All	912	## \$5
Three month	裁	*	Car month	141	3
Three month	8.75 8.75	-0.035 +0.025	Three could	145	+4

BASE LENDING RATES										
Adam & Company 7 Allied Trest Bank 2 Allied Trest Bank 2 All Bank 4 7 Henry Anshacher 7 8 & C Merchart Bank 1 Bank of Baroda 7 Bank of Cyrros 7 Bank of Cyrros 7 Bank of Feland 7 Bank of Feland 7 Bank of Scotland 7 Bank of Scotland 7 Bank of Scotland 7 Brit Bk of Mid East 7 Brit Bk of Mid East 7 Citlank Rederland 7 Citlank Rederland 7 Citlank KA 7 City Merchants Bank 8 Crystathe Bank 7 Compact He Bank 7	Chefit Lyonasis	MicDonnell Donglas But 7 Middand Bank 7 Middand Bank 7 Month Bank 8 MatWesterluster 7 Morthere Bank Ltd 7 Mythrellt Mortage Bank 8.5 Res Brothers 7 Rectorgie Bank Lini 10 Reyal Bk of Scrittan 10 Reyal Bk of Scrittan 7 Standard Chartered 7 TSB 7 United Bk of Kewalt 8 Unity Trest Bank Pic 7 Western Trust 8 Michael 11 Western Trust 7 Whitinsway Laiddaw 7 Yorkshire Bank 7								



				TOCK IN	DICES					
	Nov 20	Nov 19	Nov 18	Nov 17	Nov 18	Nov 13	High	1982 Low	Since Cor High	apliation Low
FT-SE 100	2732.4	2706.2	2704.0	2679.2	2679.6	2097.5	2737.8	2281.0	2757.8	968.9
FT-SE Mid 250	2623.4	2616.9	2610.9	2598.0	2585.7	2008.9	2825.8	2157.8	2825.8	1379.4
FT-8E-A 350	1320.4	1309,8	1308.1	1297.3	1297.2	1305.4	1342.7	1103.1	1342.7	664.5
FT-A All-Share	1294.43	1284.33	1282.84	1272.58	1272.62	1280.40	1326,36	1086.13	<b>1326.3</b> 6	61.92
FT-SE Eurotrack 100	1051.29	1047.93	1051,36	1056.32	1058.27	1059.26	1200,27	937.42	1200.27	900.46
FT-SE Eurotrack 200	1117.40	1110.76	1108.59	1109.66	1110.19	1114.93	1248,79	1010.09	1248.79	938.62
FT Ordinary	2035.9	2017.8	2012.2	1996.4	2004.6	2021.6	2149.7	1670.0	2149.7	49.4
FT Government Secs.	93.96	94.05	94.06	94.06	94,01	84.98	95,54	85.11	127,40	49.18
FT Fixed interest	108.92	108.98	100.01	109.30	109.42	110.08	110.26	97.15	110.26	50.53
FT Gold Mines	64.3	64,1	66.0	66.9	68.8	67.1	160.6	64.1	734.7	43.5
			LONDO	N SHAF	RE SER	VICE				
BRITISH FUNDS		SR	ITISH FUN				BRITISH FU	INDS - Cont.		
Wik t	% Arrest interest	Last City	-	Mr &		Last City		Mining Price & chang	Agent Interest	Lest Ci
Notes Price & chance	se fina due	and lies		les Pilca E change		nd line	Index — Maked	Marie Links & College		700
"Sheris" (Lives up to Five Yes		11/40 14 Shr 1000**** 648.3 49 draw 4411 will be transition								
	1 808 Aut8 Fet8		remion 10% pc 198		1,798 My22 HHZ		Treas. 2pc '94(1		f 500 alvest My	IS 12.10507
	1 1 950 O-15 An15	B61976 -90	2000#	185 <u>U</u> -4.1	4,150 Se3 Mr3	28.7 1244	200 Ye	(67.9) 197.4	1.186 M:15 Set	

FT Government Secs. FT Fixed Interest FT Gold Mines	93.96 108.92 64.3		94.06 94. 09.01 109. 66.0 66		2 110.08	95.54 110,26 160.6	85.11 97.15 64.1	127,40 110.26 734.7	49.18 50.53 43.5
Pi dod suios	01.2		NDON SI			100.0	04.1	70-17	4000
TOTAL CINE						BRITISH FUNI	<b>20</b> - <b>20</b> - <b>30</b>		
BRITISH FUNDS			i Funds - C		ment Last City	DHI I I I I I I I I I I I I I I I I I I		Appl Interest	Lest Chi
Wit 7. Ann Notes Policy Subseque Sus		Chy	Mates Price E		tue no line		es Price & change		and Box
"Sheris" (Lives up to Five Years)	- Marc - Marc	Treas 10 2		-1.0 1,252 Nv19		Index — Maked	L)		
	B Aut 8 Fet 8 18.7	SB47 Curvention 1 90c 2000±	0% pc 1988. 113 /	-1.0 1,798 My/20 -1.1 4,150 Se2		Treas. 2pc '94(102.		STATE STATE STATE	12.10 5070
	0 Qc15 Ap15 All	1279 Trees 130c		-1.0 2.171 July		2pc '96(67.5	9) 197 4	1,188 Mais Seis	16.8 1313
1212 pc 1993st 1838 -2 1,18	8 Ja14 Jy14 8.9		11917	-1.1 4.268 Au21		45 pc '98(136.25 pc '01(78.	3) Esti -17	386 Ap27 Dc27	18.8 1316
		1276 14pc 98-0	1287	-5 970 Nv22		212 pc 101(78. 212 pc 103(78.			
	# My#3 Nv#3 10.18		2	-1.2 \$,777 Fe27	AU27 21.71349 See 3.81281	4 % pc '04(136.			-
		4871 10pc 2003		-1.1 1.826 Set9		2pc '06(89.5		1,355 Ja19 Jy19	12.5 1314
		Denthe 21s	oc 39-04. 61-	-9 443 Ja14	Jy14 8.5 1274	212 pc 106(78.		1,250 Hv20 My20 1,566 Fe23 Au23	17,7 1319
		Conversion S	12 pc 2004. 106 /2	-1.2 3,812 Ap2		2½pc 11(74.0 2½pc 13(89.0		1,000 Fe16 Au16	10.7 120
		0-2 pc 000		-1.2 4,862 0c18 -1.0 2,200 My21		212 pc 15(814		1,959 #26 Jy26	19.6 1321
	6 My17 My17 12:00			-1.0 1,880 Ap5		21z pc 20(83.0		1,350 Ex15 Ap15	9.9 1322
			c 2003-07. TESU	-1.0 3,158 Jy22	July 15.6 1293	212 pc 24tt(97.7 4 laps 30tt(135.1		1,068 July Jy17 508 July Jane	10.6 1323
		1271 Treas 812 pc		-1.1 2,897 Ja16		(b) Figures in paren			xing. (le 1
		1254 1312 pc 104	HO8 192 &	8 1,250 Se26	Mr36 29.8 1301	months orler to issue	and have bee	a adjusted to refle	ect rebasin
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				-1.2 4.871 Ap13	Oct3 7.5 1343	WILL TANC 130'0 9	ne to occure	1994, 1977	
		1344 Spc 2006 1	100%	-13 1380 M/25					
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		1240 Conv Spc Ln		-1 5 2,923 Ja12				Armi Jalerni	Lasi City
		1362 Treat. Spc 2 1253 Spc 2012 A		-1.5 1,590 Fe5 -1.5 2,758 Fe25			e Price S change		ad line
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81ac 97 tt 283 -17 88		7 % pc 201	2-15## M%	-12 708 Jy26	Ju26 19.6 1332	Bharn 11 12 pc 2012			17.4 1837
			3-17 1274	-1.1 1,000 Ja12		tretand Cap 6 12 pc "10	_ 984 -12		-1465
Flor to Fillery Years		Times 8 % pc	2017 98张 7 A SS 96张	-1.2 2,500 Fe25		9pc Cap 1996	- 183 -1.4 - 117 -8		28LE 1498
	Au27 0d27 21.8	1200		Elond Lord		13pc 187-02 Hydro Chabte 15ge 2011		#35 Apr 001	27.19 -
9% pc 1998 100% -6 3,89	3/19 Je19 12.6	1272 Undeled				Leeds 1312 pc 2006	120 C -6	40 Apt Dc1	12.8 31 48
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		1331 War Loan 31	2 pcts 39 (3 ml	-1.8 1,999 Jei	Del 28,16 1352	Manchester 11 2 pc 2007	7. 1744 -7	7 Ag25 0±25	30.3 3275
	5 Mag Sego 26.8	Conv 312 pc	BI AR. RY	-19 122 Apr	Oct 25.8 1243	Met. Wtr. 3pc B	<b>ez</b> -1.6	7 Apr 0:25	1.6 3361

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Data source: \* Chief Executives in Europe 1990

FT SURVEYS

28		LONDON SHARE SERV	CE		
AMERICANS Wist. Div Devidends Last City Notes Price 1 change gross paid and flast Author Labo	DING MATERIALS - Cont.  Wits Div Div Bildend Lint Coy  Makes Pilos chings not coy, paid vd fice  80 - 83 25 Jul Nov 218 4416 MWestbury.  852 27 E5 Och Jul Nov 218 4416 MWestbury.	White Div Silv Divided Les City  Human Price offinge set one, pold ad line  1 \$754 -2.0 4.00 0.1 Jan Jan 18.11 4696 18770.	WKS like Div Obbidged Late City lotes Price of lage and cav. paid od like _87 \$84 \$4 22 2.1 Jan Rev 1811 298, 40 Countered L	Winds Dir Oliv Diebdami Last City Holes Price chings and core paid and line no. 22 — 9781 2274 2874-108	
#Malegiany & W 428p -0.0 30c	Perides 182 225 3.4 Jai Pais 11.5 4961 189Westport 184 — C.4 4.8 6.9 New Jai 5.10 4297 189Wison Bowds 154 4221 189Wison (Cos) 2 0.5 Jai 154 42	4 67 8'90 4001 MFerner	_47 458 0.4 0.9 3.1 Nev Jen 5.10 1425 MEnrocare, 52 1.5 0.5 Jen Aug 1.5 2582 MEnro Deno- 25 1.4 Jel Jen 15.10 2593 MEnropent 1 25 1.4 Jel Jen 15.10 2593 MEnropent 1 25 1.5 0.00 New 7.9 2596 MEx Lands 25 1.5 1.8 Jel Deg 2.19 2511 Med Conduction	7 FFT 815 -664 018%	ry Tst
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BellSorth. 32% 57 \$2.76 Felskyluthy 9.4 BUSI  98-bit 5120 82.127 BUSI  Bounater 1438pat 6.8 \$1.20 Catalogy 9.2 1994  CPC 53124 -55 \$1.20 JaAphyc 28.2 2283  9Cady Land Inc. 128	INESS SERVICES  With Div Div Statement Least City Artest.  Rights Philas offings are core, paid and Jan ASEA 8 SIX	14	35 237 1.5 Nor Oci 27.7 2877 MSranada 77 6.5 _ Oci Apr 27.7 5102 7 bg Cv Pl 23 1.14	7 294 5.4 7.9 1.4 Apr Oct 27.7 2763 7pc 1 136 2 3.9 7.5 - Jan Jai 15.6 4634 Floring 1 15.0 512 40	CV Ln *99
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Place   281 cm   48c   Lab, by Car   24.5 2000   Capita   Food Molect   25.5 2000   Capita	Security 204 A.S. 2.2 2.5 Reb Aus Offictors	24 43 635 - See Dec 211 470 Microsoft (2 161-142 039% 1.9 May 11.5 3402 270 11.5 3402	18 1.5 0.3 0cf Mar 24.8 3400 Millberens Mg 140 2.6 1.6 Jan Nav 21.8 3814 7pc Cv Pl 41 44 -28 2.6 3.1 Jan Nav 21.9 3872 7½ pc Cv Pl 30 -3874 47pmsdoris	et	17.4   17.4   18.5   19.5
Number   21% -17   200 JaAphW   15 - 4Connet		8-11.1 0.20 65 Sep 27.7 2174 TOURS		121 1.3 8 4 % — Pair Lin 15.0 2321 MFor A	5 Col Spream 194 -5 1.18 Dec 95.5 25.11 2528 5 Col Spream 12 34.5 15 4788 12 132 - 132 - 132 5 Col High 54 2.82 Apr Cm 142 219 2251
Lockheed 21 la 33 52.12 MrJoSeQu 15.2 — MCardiner Di Love's h 12040 -0.4 28c JaAphylic 11.7 — Cardiner Di Mercil Lymb 38 la 1.9 -1.9 \$1.25 Febbylank 38.4 3351 Milays	- 82 -43.1 1.3 2.2 Oct Apr 27 7 4897 Lec Roftg 80 -6.0 - 491 4881 m84adroto - 491 4881 m84adroto - 501 5377 #48arvior Combination - 7 175 - 6.8 2.1 480 Aug 20.6 2006 Mitsun Elect Y -	288 14.8 8.9 New Det 7.9 3144 Milleroid. 71 9.0 8.9 Apr Det 10.5 839 Rotori. 7 28 1.7 039% + Am Dec 10.12 2388 Rotoris.	1 384 10.0 2.0 Oct May 21.5 3000 @Stable	of Child 35 - 2.6 - 3882 Wind 11 2 3 3 2 3 3 2 3 3 3 3 3 3 3 3 3 3 3	10 Col Street
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Rective   1812 of   926 MickSchi 10.113847 Wit on   1812 of   1813 of   18	Minos	250 - 7.76 1,4 Apr Oct 24,5 3861 Mojrati Vactoria 250 - 7.75 1,4 Apr Oct 24,5 3861 Mojrati Vactoria 250 - 7.75 1,4 Apr Oct 24,5 3861 Mojrati Vactoria 250 - 7.75 1,4 Apr Oct 24,5 3861 Mojrati Vactoria.	_ \$ 38 2.7 2.5 - Jun Jel 15.6 4821 Totterham 292 1.8 9.3 1.6 Jun Dec 5.10 4875 Totterham 116 Ed 13 Feb Aug 29.6 4116 Welchity 704 29 5.75 00 Dec Jul 16 17 4754 Welchity		17.7 5.10 4967
Teneco	Opph   Sign   7   38   18.8   2.1   Get Jul   2.1.4977   Thirtys (FW)   7   368   -8   12.6   2.2   Apr Sup   7.9784   Toethe Y   2.2   Apr Sup   7.2   Apr Sup   7.2   Apr Sup   7.2   Apr Sup   7.2   Apr Sup	100 \	_g \$64 7,1 18.6 2.5 Jan Jul 11.5 2000	ANCE BROKERS  Was  Blank  Blan	orts
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9Harwicer Sid         18 kg         -0.4         S.UB AD/OCAL 15.71         - m80C.           9Hector's Bay         189te         -2.3         Bo MuleSeBe         2.10         - m8TP           9Heperial DI         22 ks         -2.2         \$1.80         MuleSeBe         4.3         BTR Nytex           Ince         12 kg         -4.7         40c         JaApleCc         4.5         - Bayer DM           Vivit Caronal         205b         -0.9         100         May 8700         205c         -0.9         -0.9         100         May 8700         205c         -0.9	1 122 -1.5 7.34 0.5 Nov Bur 5.10 1943	Benics (SC)		Nobes Price of Imperiod Cov. gold and long Streyth   E27's, 0.5 (1675; 2.5 May Sup 30.8 — Group)   D205 0.7 (1825; — Oct May 8.10 1871   Historical   E	907 00.0 -2714
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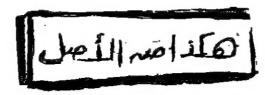
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MONDAY INTERVIEW

# Charmed by the simple life

Heinrich von Pierer, chief executive of Siemens, talks to Christopher Parkes and Andrew Fisher

einrich von Pierer, chief executive of Siemens, Europe's ompany, thinks the quest for perfection, one of the tradiional strengths of German industry, can go too far.

"Germans always try to do the very best that's possible. it's almost a philosophical thing: I believe this perfectionism is not just a Siemens characteristic; it is ingrained in every German engineer," he says. "It's a very sympathetic quality...but I'm a business-man, and it is my job to supply what the market wants.

Mr von Pierer, a trim 51 with a passion for tennis and a taste for colourful ties, is less than two months into the job. He is mulling over the long-standing issues which exercise him in particular and which are common throughout German manufacturing. "We carn too little; 2.5 per cent return on sales is too little," he says of Siemens.

He denounces claims from some of his peers that Germany is losing its attraction as a place to invest and manufacture. He reels off the country's well-known educational, political and infrastructural advan-tages. But then he hesitates as he considers the negative side

Rolled together, the disadvantages lead to a single conclusion. "Germany has become too expensive," he says. At Sieens, as at Daimler-Benz and Volkswagen car groups, the result will be a tough pro-gramme of cost-cutting and lay-offs among the company's 400,000-strong global work-

Mr von Pierer, formerly a leading local figure in the Christian Social Union (CSU) conservative political party, discovered and corrected one weakness in the group's philosophy - the perfectionist culture - when in charge of KWU, Siemens' power plant division. There, products were sometimes over-engineered, more sophisticated or with more features than the customers wanted or needed, he says. Customers turned elsewhere

for simpler, cheaper products. Similar conditions applied in Siemens' medical engineering arm and are now being tackled. Like KWU, which does two-thirds of its business outside Germany, 80 per cent of the division's sales are abroad. It is, therefore, more exposed to the pressures of internagroup as a whole, which still generates 46 per cent of its DM80bn (£33bn) turnover inside Germany.
"Siemens makes excellent

equipment, but the question is has it always paid us to do so?" Mr von Pierer asks. "We must adapt to the market." The Japanese, coming in from the lowtechnology end of the market have built a successful medical equipment business with basic equipment, he says. Naturally, nens' quality must not be impaired as it counters this threat, he adds, but "we need to learn to make things differ-

ently and more simply".

For Mr von Pierer, this does
not involve a revolution in the company. He is no iconoclast, up the process of change. In this respect he resembles many German chief executives. "If you scratch just below the top level in many companies, you will find quite a few like him," an associate remarks.

His training as a lawyer and nist, more than his relative youth, marks him out in a business where the engineer has normally ruled. But he is also a consensus-builder in the old mould (he claims his colleagues support his perfectionism critique to a man), with real affection for the company and undisguised respect for his

mentors and predecessors. He owes much to Mr Karlheinz Kaske, Siemens' chief executive for 12 years until September, Mr Kaske oversaw the acquisitions programme of the 1980s which raised and broadened Siemens' profile in the US and other important markets. He also opened up the group's monolithic structure, creating 17 operating divisions which encompass 300 different

business activities. It has fallen to Mr von Pierer, and others of his generation promoted under Mr Kaske, to streamline the sprawling empire, penetrate further into foreign markets, especially Asia, and improve the cost structure - at a time when the international and domestic economies are barely

The axe has already fallen on thousands of jobs, notably in Siemens' loss-ridden semiconductor and computer businesses. The group, with a staff turnover of about 10 per cent a year, is coming to the point where non-replacement of voluntary leavers and other "pain-free" payroll reduction meth-ods – early retirement, non-re-



'We must adapt to the market'

newal of short-term contracts are no longer enough. While some companies are hinting that they may soon resort to forced redundancies, anathema in Germany's "social economy", Mr von Pierer is trying to find other ways to cut costs. "The hire-and-fire princi-ple does not exist here, and I

never want it to," he says. So he is looking at other ways to boost efficiency. Can over-engineered products be simplified without any loss of

PERSONAL FILE 1941 Born Erlangen near Nur-

emberg. 1969 Siemens legal depart-1977 KWU power station unit. KWU.

Member of main Siemens's board. 1991 Deputy chief executive. 1992 Chief executive, Sie-

quality? Can tortuous manufacturing processes be short-ened or replaced? Is there a greater role for computerised machines in a business where engineering and software account for 50 per cent of added value?

He says there is scope for more manufacturing outside Germany: not simply to escape the high cost base at home, but also to add value in the places where Siemens does business. collaborating with and buying components from customers. "It is not just a question of costs," Mr von Pierer says. "If we want to continue to develop as a global player we cannot simply deal with our customers as importers."

At the same time, he is con-tending with severe problems in two of his most important computers. It is no comfort that the semiconductor industry is making losses around

mated at about DM500m for Siemens. Much the same applies to Siemens Nixdorf (SNI), the computer business which is also losing heavily. Semiconductors are the common components, the thread

running through every impor-tant business activity in the group. "What is fundamental for me is that we should have the technology for all our products," he says. But the costs are huge, and Siemens, although ranked third in European semiconductor sales, is relatively small in world terms. Collaborations to defray development and manufacturing charges - most recently a link with IBM and Toshiba on the new generation 256-megabit D-Ram - help. But the lack of European partners willing to take up the group's open invi-tation to co-operate obviously

"Sometimes it is difficult to get across that we are not just doing it for our own needs," he complains. Access to advanced memory chip technology is crucial in markets where manufacturers increasingly seek to tailor product precisely to customers' needs ... and also where Japan is on the ascen-

Co-operation also figures in his plans for Siemens Nixdorf, the result of an ill-timed and ill-starred marriage of Germany's great computer rivals. But it is still too early to talk about it, he says. "We must first bring our house into

Bad luck has undoubtedly influenced the fortunes of a company in the throes of reorganisation just as the computer industry was diving into severe structural crisis. But the fact that it has taken the best part of two years to flush out old enmitties plaguing both sides in the takeover speaks volumes about the cautious German approach to mergers. Siemens also fumbled the

business, bought from IBM in 1989, into its private communi-cations business. "We had one telecommunications system in Germany and one in the US and found it took much longer than we expected to integrate the businesses," says Mr von Pierer. But Rolm is now shap-ing up: its three divisions have

been rolled into one. "And high time, too," mutters the new chief. When business confidence recovers and private communications markets start to improve, Rolm will be in the front line with its competitors, he says. However, no such difficulties attended the more recent absorption of Texas Instru-ments' industrial control activ-

ities, and plugging in the Sylvania lightbulb business to Siemens' Osram subsidiary promises to be profitable. Siemens, it seems, is gradually coming to terms with cost-conscious global markets and starting to appreciate the benefits of doing things more sim-

# Why schools may become obsolete

have often wondered what it must have been like to hear Bernard Shaw speak in the 1880s, before he hocome famous Many of his ideas, such as the nationalisation of industry and the creation of a welfare state, must have struck his small London audiences as completely mad. Yet much of what he predicted came to pass within the space of one or two generations. Last week, listening to a sparsely attended lecture at the Cato Institute, a Washington thinktank. I felt a kinship with the Victorians that Shaw so loved

to harangue. The speaker was Mr Lewis n, author of a recently published book, School's Out Hyperlearning, the New Tech-nology and the End of Education\*. The thesis he expounded with messianic fervour which proved too outrageous even for his libertarian Cato audience - was that conven-tional education is obsolete. Putting resources into achool reform makes about as much sense as investing in the horse and buggy at the end of the 19th century. Just as the auto-mobile was destined to sweep aside horse-based transport, so "hyperlearning" will sweep aside education as we now

I am not suggesting that Mr Perelman, a former high school science teacher and planning director for Holiday Inns, is another Shaw. But I do believe his fundamental argument -that technological change is undermining the foundations of conventional education - is worth taking seriously.

Teaching today is immensely labour-intensive. Hundreds of thousands of teachers stand in classrooms delivering almost identical lectures to their students. Yet such techniques are inherently inefficient because the abilities of students vary so enormously - and because the competitive atmosphere of classrooms inhibits many less

With the latest computer technology, a single talented teacher can prepare and deliver a course to an unlim-



**AMERICA** 

back loops and programmed instruction can allow students to learn at their own pace, repeating difficult sections as ple, electronic lessons can move effortlessly between different media: a history course. ferent mens; a history course, for example, can move from a "talking head" lecture format to archive text, to film footage of battlefields and finish by playing music composed dur-

As the cost of electronic gadgetry falls, the savings from eliminating classroom teachers and the physical infrastructure of schools are potentially immense. To give an idea, The Civil War, an acclaimed US television documentary, cost about \$3m to make, or about 10 cents a viewer/learner. To convey the same information to the same number of people through traditional classroom techniques would have cost about \$6bn and required the services of all of America's college history professors for

more than a year.

A second plank of Mr Perelman's argument was that we can no longer afford to think of education as something we complete in our youth as a preparation for work and citizenship. With skill requirements changing constantly, we all have to accept the need for lifelong learning. Fortunately electronic tools give us the ability to learn what we want, when we want - and in the comfort of our own homes.

The revolution in learning made possible by new technology is being impeded. Mr Perelman argues, by the entrenched power of existing, redundant institutions. He would abolish

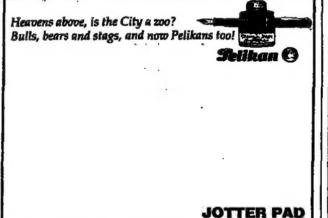
all public grants for schools and colleges and give the money directly to families in the form of learning credits or "micro-vouchers". Just as US food stamps can be spent on any kind of food, so educational micro-vouchers could be spent on anything that nurtures the mind, be it distancelearning courses, video cassettes, books or conventional schooling (which would no lon-

caution sistemation fiscal

ger be compulsory.)
The second big change he advocates are laws forbidding employers to discriminate on the basis of academic qualifications. Employers would be able to test recruits to determine if they have the skills actually needed for a job, but not to require them to have served time at schools or colleges. Mr Perelman believes that US academic education is already a costly fraud. People pay ludicrous sums for degrees that are of no practical relevance and which no longer even guaran-tee high-paid employment. If and replaced by tests of actual competence, the whole edifice might come crashing down.

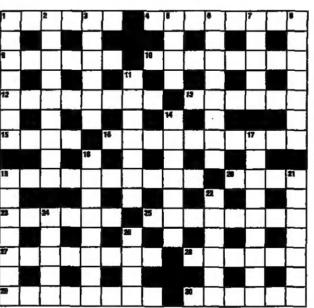
But if conventional schools and colleges vanished, what would happen to young people? Well some institutions for sports, the arts and social interaction would be needed, but they would not have to involve the regimentation of today's schools. That regimentation was, in any case, largely needed to discipline people for the monotony of a mass pro-duction industrial age that is already passing.

The essence of Mr Perelman's argument is that new technology provides the means for a far more economical, flexible and personalised form of education. At heart a utopian, he believes learning is as natural as eating or sex; the trouble is that most people's appetite for it is destroyed by crude and outdated delivery systems. His ideas probably seem outlandish; but remember, few people predict the really big social and economic changes that transform our lives. School's Out, William Mor-



#### **CROSSWORD**

No.8,010 Set by DANTE



1 Prevail over island uprising, being efficient (7)
2 An indication one wants to avoid any hostility (5.4)
3 Stay to check mother in (6)
5 American editor briefly ACROSS He would be a drawback to the commanding officer (6) 4 Duck when beer mugs are thrown around (8)
9 Figures they produce light separation (6) 5 American editor briefly 10 Light equipment for miner and motorist (8) 12 No deviation from working employed (4) G 00.00 (8)

Stretch of water (5) party policies (8) 13 Hit out and win outside and 8 Cost of stocking the river with birds (7)
11 Tell of dramatic happening at 15 Slippers - or part of 'em? (4) 16 Model accommodation writpolling station (7)
14 End of cluss or anagram (7) 17 To be without an escort is incautious (9) 20 Bird droppings? (4)
22 Stockings only put out in the north and south (6)
25 Supercitious about organ

Spare property? (8) Apostle under study in Scandinavia (7) 21 Yet it's a misplaced feeling of gratification (7)
22 Source material used for study programme (6) Dissolute but not tight (5) 26 A certain amount of snow

dangerous to aircraft (4)

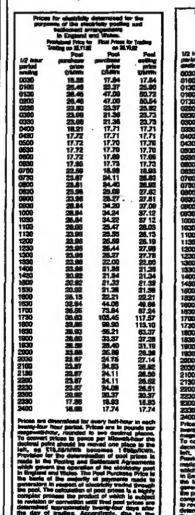
29 Lay in a foreign drink as a souvenir (8) 30 Call attention to 24 hour period of prosperity (3,3)

playing skill (8) 27 A lovable disposition may be

most important (5,3)

28 Support in one game

ten about by Ibsen (5,5) Cenine tenacity (10)

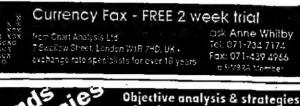




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# TAX-FREE\* SPECULATION IN FUTURES





# Re-take the refugee test

uro-sceptics jeer that the European Commu-nity has failed the test of the Yugoslav crisis. They say it proves that the far-reaching ambitions of the Maastricht treaty are wildly unrealistic. Europe could not hope to put together a common foreign policy, and might as well abandon the attempt.

Reality will not let us off so lightly. The sceptics seem to be misled by some school-games paradigm: the hopelessly uncoordinated are excused from taking part in the football team. But they should look instead at the pitiless academic discipline of the French lucée which admits no such excuse. The fact that the Community

has failed so far does not mean that from now on the Europeans are excused. On the contrary, we are now paying for our failure with a "redoublement"; we must re-do the course again and take the exam until we pass.

The problem is that now the exam is much more difficult, and the syllabus has been vastly expanded. At first the military experts told us there was nothing to gain and everything to lose by trying to intervene in this civil war, it would involve very large forces, unpredictable but probably large casualties, an uncertain and probably unrealisable political strategy, and a commitment of indefinite duration.

In the face of this kind of dire risk assessment, politicians quail. Unfortunately, they failed adequately to weigh up the costs of not intervening But even if the consulate in



IAN DAVIDSON

EUROPE

What we have instead is a massive flood of refugees from the war zone, which is already threatening the political stability of German society, and which will certainly get worse. in Germany or elsewhere. We thought we could stay out of trouble by not getting involved. This was a mistake; the trouble has come to us, in their hundreds of thousands, and we cannot avoid it.

We certainly cannot avoid the flood of refugees by playing cynical and hypocritical bureaucratic games. Refugees claim political asylum because this is their only plausible escape route. So the German political establishment prepares to rewrite the constitution to limit the access of asylum seekers; and the British government sets up new and Kalkaesque obstacles to frus-

If they want asylum in Britain, they must have a visa. However, they cannot secure a visa, because Britain has no consulate in Bosnia; in any case the government will refuse a visa if it is for asylum. the hard men at Heathrow are empowered to cancel it. This is Catch-22 in spades So when Mr John Major, the

British prime minister, says in parliament: "With the best will in the world, we simply cannot take everyone who, for understandable reasons, wants to leave Yugoslavia," he is adopt-ing a hypocritical posture. The British government is not showing the best will in the world, and probably would prefer to take no Yugoslav refu-

gees at all.
This is not an option, however. All west European countries will take large numbers of unwanted refugees, willy nilly, legally or illegally, because of the scale of the problem. There are already large numbers of illegal immigrants from various parts of the world in all members of the Community, because they cannot in prac-tice be kept out; and the numbers will undoubtedly rise after the easing of internal frontier controls between member states under the single market

Tighter rules in Germany will be intended to keep more people out; but all land frontiers in Europe are highly permeable, and the German government will be deeply reluctant to incur the shame of mass expulsions. Britain is slightly protected by geography, compared with Germany or France, but only slightly. There is no security in the

Channel. No useful purpose is served by a myopic focus on the legal definition of what is or is not a refugee. It may be true that most of those who are fleeing the war, the destruction of their homes and the deaths of their relatives, are not "really" refugees under fear of persecu-tion, in the strict meaning of the term in the 1951 Geneva Convention. But the argumen is essentially beside the point. When 500,000 people are already displaced in the rest of Europe and 2m inside ex-Yugoslavia, it is foolish of Western governments to pretend the problem can be made to vanish by being defined out

of existence.
In any case, it is not easy to apply asylum laws as rigidly as governments would like. Much less than a tenth of those who seek asylum in Germany or Britain finally secure that status: but in both countries most applicants manage to stay permanently, either legally, on some other grounds, or illegally, by disappearing into the undergrowth. Trying to halt the war refu-

gees at the frontier is now no longer an option for the rest of Europe. The longer the members of the Community insist on limiting their military intervention in Bosnia to the minimal escort of aid convoys, the more certain it must be that the tide will turn into a flood. The only way of limiting the

flow is to go to the source, and take sufficient military action on the ground to make it slightly more possible for some of the persecuted minorities to continue to live in their own country. Europe cannot avoid responsibility, however much it would prefer to do so.

The solution to last Saturday's prize puzzle will be publish with names of winners on Saturday December 5.

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